

**PRODUCT RECALLS AS AN OPPORTUNITY
FOR CORPORATE REPUTATION?**

A focus group study on German consumers' perception of the impact of product recalls on corporate reputation

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ABSTRACT

In light of the rising numbers of product recalls, this research analyses how consumers in Germany perceive the impact of a product recall on corporate reputation. In contrast to the traditional perception of product recalls as a threat to corporate reputation, this thesis takes a modern perspective to recalls, considering them as an opportunity for corporate reputation. As such, the study examines how and under which conditions a product recall can enhance consumers' perception of corporate reputation. Results of four focus group discussions and an inductive thematic analysis suggest that emotions and associations greatly impact consumer perceptions of a corporation during a recall. Therefore, corporations can shape consumer judgment during a recall by leveraging on priming and framing effects of consumers' past experiences with the corporation. More specifically, the research found that a recall can – under certain conditions – pose an opportunity for a corporation and improve perceived corporate reputation among a subset of participants. These conditions include that (1) the corporation recalls the product voluntarily and out of caution. Also, the corporation should enjoy (2) positive prior reputation among consumers and (3) not be perceived as responsible for product harm, (4) while the product harm should be low. Finally, the corporation should employ ethical behaviour, by (5) apologizing for the inconveniences, (6) using honest communication and (7) displaying transparency. Hereby, a product recall can serve as an opportunity for perceived corporate reputation among a subset of German consumers.

Moreover, the results propose that corporations can enhance perceived corporate reputation by employing ethical communication and adhering to CSR during a recall. Thus, corporations' may generate reputational benefits by considering a product recall as part of an overall CSR strategy. In this sense, a corporation could use a product harm incident to display its social responsibility, which can improve a corporation's credibility and reliability. Yet, as an open and transparent behaviour might imply reputational risks and costs, corporations need to evaluate the benefits of such an approach for the corporation in each recall situation.

Key words: consumer perception, corporate reputation, corporate social responsibility, opportunity, product recall.

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Chapter I

Introduction

In recent years, product recalls, which can serve as a response to a product harm crisis, have increasingly impacted international business (Colman, 2014). Consumers in the USA were faced with a total of 2.363 product recalls in 2012 in the areas of consumer products, pharmaceuticals, medical devices and food (Doering, 2012). In the USA and Canada, the number of product recalls for both food products and nonfood products has steadily increased in recent years (Steves, 2014). In 2014, several major car producers launched recalls of millions of cars worldwide. For instance, General Motors recalled more than 29 million cars and trucks in North America due to various defects, such as power steering problems, being partially responsible for crashes, injuries and fatalities. As a result, the reputation of GM has suffered heavily among consumers (Bennett, 2014). Also Toyota Motor Corp. recalled 6.4 million vehicles in 2014 due to five separate problems among 27 different models. Toyota has been involved in several recalls in the last decade, damaging the reputation and consumer trust (Boudette & Kachi, 2014). This indicates that product recalls are not only present in today's international business but can also heavily determine consumer perception of corporate reputation (Laufer & Coombs, 2006).

As such, a product recall has classically been perceived as a frightening incident for corporations due to the unforeseeable effects on the corporate reputation, trust and word-of-mouth among stakeholders (Laufer & Coombs, 2006). However, in contrast to much prior research on the negative influence of product recalls on corporate reputation, some scholars argue that in certain cases a product recall can positively shape corporate reputation. In this sense, they can serve as an opportunity to demonstrate the corporation's ability to handle the incident effectively (Murphy & Popa, 2012). One of these specific circumstances is a voluntary product recall, which can pose an opportunity for corporations to enhance reputation (Murphy & Popa, 2012). This occurred for example in the case of the Johnson and Johnson's handling of the Tylenol poisonings in 1982, which serves as a classic incident of effective crisis management until today. Here, the corporation succeeded in restoring the image of the brand despite the severity of the crisis with several deaths (Dowdell et al., 1992). Also, especially recalls of minor product defects create benefits to the corporation in terms of brand image that can even offset

the costs of the recall. In such situations of product recalls, corporations can ensure market benefits by establishing closer customer relationships (Murphy & Popa, 2012).

Due to product recalls' disputed effects on corporate reputation and their frequent occurrence, this thesis strives to specifically investigate how consumers perceive the impact of product recalls on corporate reputation. In light of the positive perspective of certain scholars such as Murphy & Popa (2012) towards product recalls, this thesis aims to analyze how and under which circumstances a product recall can pose an opportunity for a corporation. Following Coombs (2007a), reputation is not only a key intangible asset for a corporation that helps to differentiate itself from competitors, but it is also a critical factor for a corporation that is at stake during a crisis situation (Fombrun & van Riel, 2004). Most importantly, a good reputation is not an end in itself but serves to motivate stakeholders to enhance the corporation in different ways. A positive reputation can encourage consumer behavior, such as financial decisions or purchase behavior (Fombrun & van Riel, 2004). In this sense, Wartick (1992) argues that reputation is one of the factors determining corporate performance. One can state that consumers' perception of corporate reputation is formed on the basis of the information received about the corporation. This can originate from their own experiences with the brand, the media or secondhand information (Fombrun & van Riel, 2004). Consequently, the research questions guiding this thesis are:

- 1) How do German consumers view the impact of product recalls on corporate reputation?**
- 2) How and under which conditions can a product recall improve German consumers' perception of corporate reputation?**

a) Focusing onwards

As public relations are embedded in culture and cannot work as a stand-alone practice, this study draws on the perspective proposed by Zaharna (2001). She argues that public relations are defined by national parameters and refined by cultural nuances. Therefore one needs to uncover cultural assumptions affecting international public relations. As such, this study does not research the effect of product recalls on corporate reputation from an international consumer perspective. Instead, this study emphasizes on consumers in Germany and takes into account its

cultural specificities (Zaharna, 2001).

Prior research on the implications of product recalls has been limited to the effect of product recalls on corporations' sales and profit margins after a recall (Standop, 2013). No previous studies have analyzed the effects of a product recall on perceptions of corporate reputation among German consumers. Also, there is limited empirical research on product recalls as opportunity. As such, this study contributes to a cultural and contextual understanding of the reputational implications of a product recall and the possible positive effects. More specifically, the findings of this study can extend theoretical knowledge and can contribute to develop theoretical conditions of a recall that influence perceived corporate reputation among consumers in Germany positively.

The results of this research can especially benefit businesses and help producers to understand the effects of product recalls on corporate reputation. When facing a situation of product harm, a producer would have to decide if and how to approach a product recall generating as positive effects on corporate reputation as possible. For this case, the results of this study can help producers and agencies to understand, how and under which conditions a product recall could serve as an opportunity for the corporation. A positive corporate reputation based on quality, reliability, authenticity and consumer trust is a prerequisite for consumer loyalty, which is in turn a key objective for brands to retain during a product recall, as consumers can easily switch among different products within a category (Walsh et al., 2006). As such, the findings can help corporations to better estimate how a product recall can demonstrate the corporation's reliability, trustworthiness and concern for consumer welfare. Hereby they could take an informed decision in product harm situations. Overall, the insights on the perception of consumers can support corporations in scenario thinking, in order to be better able to foresee the consequences of their actions on consumer behavior.

The thesis is structured as follows. The following chapter presents the theoretical framework outlining corporate reputation, crisis communication strategies and previous research on the impact of product recalls on corporate reputation. Here moderating factors of a recall such as perceived responsibility, prior reputation, severity of product harm and communication strategies are evaluated in terms of their impact on corporate reputation. Further, the relevance to consider culture and context is emphasized when studying the effect of product recalls on German consumers' perception of corporate reputation. The third chapter discusses the research methodology of this thesis, using a qualitative approach to research, focus groups and inductive

thematic analysis as a method for data analysis. The fourth chapter outlines the results of the focus group discussions and the questionnaire and is guided by the two research questions. The fifth chapter presents a discussion and conclusion of these results and outlines the themes of the analysis, before concluding the thesis with practical implications, research limitations and suggestions for further research.

Chapter II

Theoretical Framework

This chapter outlines literature and previous research on the impact of product recalls on corporate reputation. First, corporate reputation as a concept is introduced. Next, most influential crisis communication theories are discussed and it is set out, how they provide a perspective for this research. In the following, previous research on moderating factors of product recalls on consumer perception is presented. Finally, the last section examines the impact of culture and context on the effectiveness of public relations practices and provides a short conclusion of the theoretical framework.

a) Corporate reputation

As this thesis focuses on the impact of product recalls on consumers' perception of corporate reputation, the following section outlines what can be understood by corporate reputation. According to Coombs (2007a), reputation can be considered as a corporation's critical intangible asset and a key source of differentiation among organizations. Most importantly, reputation can influence people's behavior, such as their financial decisions or their purchase behavior (Fombrun & van Riel, 2004). A positive reputation can act like a magnet that can attract people, such as customers or employees. As a result, reputation can help to generate investment interest, improve financial performance, increase the return on assets and create a competitive advantage (Fombrun & van Riel, 2004). Yet, a good reputation is not a goal in itself but serves to motivate stakeholders to support the company in different ways. In this sense, reputation is an important variable in defining corporate performance (Wartick, 1992).

Looking at how corporate reputation is determined one can state that newsworthiness of company activities, actual company performance, diversity of company responses, the communication effort, time and memory decay of stakeholders take a critical role (Wartick, 1992). The Reputation Institute (2015) regards reputation to be based on four emotional dimensions which are esteem, admire, trust and the feeling of the stakeholder towards the corporation. In addition, the Institute also incorporates stakeholders' rational perception of corporate reputation, which is based on seven reputation dimensions, including corporate performance, products, innovation, workplace, governance, citizenship and leadership (The

Reputation Institute, 2015).

Since stakeholders can affect or be affected by a corporation's actions, a reputation among stakeholders develops through the information they receive about the corporation. This information stems from their own experiences with the brand, media reports and secondhand information from other people (Fombrun & van Riel, 2004). Because reputations are evaluative, some point of comparison is required. Therefore, reputation among stakeholders is defined as in how far the corporations' actions satisfy stakeholders' expectations (Wartick, 1992). A corporation's failure to meet expectations creates an expectation gap, which can pose a challenge for a corporation (Coombs 2007a). Consequently, reputations can range from being favorable to unfavorable (Fombrun & van Riel, 2004).

As a product recall can give rise to a crisis situation, reputation can be heavily impacted. The following section outlines more specifically the impact of a crisis situation on corporate reputation. The term crisis is highly controversial. Thus, there is no single widely accepted definition. Herman (1963) provided a basic definition which describes a crisis as an incident that "(1) threatens high-priority values of the organization, (2) presents a restricted amount of time in which a response can be made, and (3) is unexpected or unanticipated by the organization" (p.64). Coombs (2007b) considers a crisis as "the perception of an unpredictable event that threatens important expectancies of stakeholder and can seriously impact an organization's performance and generate negative outcomes" (as cited in Coombs, 2010, p. 19). This shows that the perception of a PR crisis posing a threat to corporate reputation is widely spread, as a crisis can give stakeholders reasons to think badly of the organization (Coombs, 2007b). This perspective will be useful for this research when analyzing consumer perceptions of the impact of product recalls on corporate reputation and is outlined in the next section on Situational Crisis Communication Theory (SCCT).

In contrast to the above outlined perspectives, Ulmer et al. (2011) incorporate a more optimistic view on a crisis in their definition of a crisis as "a specific, unexpected, and non-routine event or series of events which create high levels of uncertainty and simultaneously present an organization with both opportunities for and threats to its high priority goals" (p. 7). As this understanding of a crisis is grounded in the Discourse of Renewal, the following section will elaborate this theory more specifically after introducing SCCT.

b) Communication strategies in a situation of crisis

Situational crisis communication theory (SCCT). Discussing solutions of a reputation crisis, Coombs (2010) states that communication is the essence of crisis management. One of the most influential theories in crisis communication is the Situational Crisis Communication Theory (SCCT) proposed by Coombs (1995), which is rooted in the attribution theory by Weiner (1985). This represents the classic approach to crisis communication and considers a crisis as a threat towards reputation. The attribution theory argues that people search for the causes of events and need to assign responsibility to those they consider as responsible for the incident (Weiner, 1985). In a context of organizational crises, attribution theory holds that the threat of a crisis is essentially a function of perceived responsibility for the crisis (Coombs, 2007c). Thus, one can state that the attribution of organizational responsibility is positively related to harmful effects for organizational reputation. According to Coombs & Holladay (1996) higher attributions of crisis responsibility pose a greater reputational threat as they lead to lower reputational scores. In a context of product recalls, this means that attributions of responsibility for product harm to the corporation can threaten corporate reputation. While this perspective towards a product recall is helpful to understand possible negative consequences of product recalls for corporate reputation, it neglects any positive outcomes for corporate reputation, which this thesis focuses on.

To restore the damaged reputation, Coombs (1995) proposes to change stakeholders' perception of the attribution dimension, which is based on the Situational Crisis Communication Theory (SCCT) Coombs developed in 1995. SCCT regards crises as negative which lead stakeholders to make attributions about crisis responsibility, affecting stakeholders' interaction with the organization. Also, SCCT focuses on stakeholder perceptions and reactions, viewing reputation as an organization's key intangible resource (Coombs, 2007a). For this thesis, the SCCT framework can be applied to product recalls as a specific type of crisis to assess the reputational threat of a product recall. According to SCCT, the level of attributions of crisis responsibility can critically impact the effect of product recalls on corporate reputation among consumers. Hence, the theory proposes a two-step process to specifically evaluate the reputational threat of a crisis. As a first step in the SCCT process, the crisis type refers to different levels of crisis responsibility and differentiates between the victim crisis, the accidental crisis and the intentional crisis. Among all the types, the victim crisis represents the lowest level

of crisis responsibility (Coombs, 2007a). In the context of product recalls, identifying the crisis type of a product recall can indicate the perceived responsibility among consumers and help to assess the impact or the possible threat of a product recall to corporate reputation. Secondly, SCCT suggests two intensifying factors referring to the crisis history and prior reputation to evaluate the threat of a crisis posed (Coombs, 2010). Especially in a situation of a product recall, the crisis history of a corporation and prior reputation critically determine how a product recall is perceived by consumers. Possibly, a positive prior reputation and few crises in the past of a corporation can serve as a buffer for the reputational threat of the product recall to corporate reputation (Laufer & Coombs, 2006). Consequently, these aspects will take a crucial role in assessing the impact of a product recall on perceived corporate reputation among consumers. Concerning the crisis response, SCCT recommends different strategies and proposes to start with instructing information and adjusting information. This can be critical for a product recall, as consumers will have a more positive perception of the corporation if they are well informed and guided through the process of a product recall (Murphy & Popa, 2012). Further, SCCT differentiates among four crisis response strategies referring to the deny, diminish, rebuild and reinforcing strategy (Coombs, 2010). Depending on the circumstances of the specific crisis or in this case the recall, crisis managers need to choose the most appropriate strategy that only accepts as much responsibility as necessary to save costs.

These response strategies can be compared to the image restoration theories, proposed by Benoit (1997) which are highly influential in the field of crisis communication. The strategies offer corporations ways to respond to accusations in a crisis to restore the damaged image or reputation (Benoit, 2000). Benoit suggested a total of 14 strategies which are characterized by the five major areas of denial, evasion of responsibility, reducing offensiveness, corrective action and mortification (Benoit, 1997). Among the variety of response strategies available, scholars have praised the effectiveness of an apology as a crisis response to protect corporate reputation (Coombs & Holladay, 2008). Dean (2004) argued that among all crisis response strategies, apology had the most positive effect on consumer perceptions of corporate reputation during the recall. Within the framework of SCCT, an apology as a crisis response forms part of the rebuild strategy and entails to accept full responsibility for the product harm and to ask for forgiveness (Coombs, 2010). Among Benoit's 14 strategies, mortification would refer to an apology as a crisis response. However, Coombs & Holladay (2008) argued that researchers such as Benoit (1997) overestimated an apology or mortification as the best crisis response. After all,

this study will investigate to which extent an apology is a preferred strategy among German consumers.

The perspective of product recalls outlined by SCCT illustrates a rather negative perception of a product recall, viewing it as an incident that threatens corporate reputation. While this can be a realistic outcome of a crisis, the possible positive impact is ignored. This thesis seeks to test the rather modern approach to crisis communication, considering crisis as an opportunity. Hence, the following section outlines the Discourse of Renewal as a theory which takes this perspective. This will help to develop in how far product recalls can positively influence corporate reputation as perceived by consumers. Yet, SCCT will nonetheless serve as a valuable theory, which embodies the classical approach towards crisis communication and possibly resembles also preconceived ideas of corporate crises among German consumers.

The discourse of renewal. The Discourse of Renewal as proposed by Ulmer et al. (2011) is a significant theory in crisis communication as it is one of the few emphasizing the opportunities of organizational crises. More specifically, the Discourse of Renewal regards a communication crisis as a chance for organizations to learn and grow (Ulmer et al., 2011). As such, the theory opposes the strict perceptions of crises as a threat to corporate reputation outlined in scholars' perceptions above. In general, the Discourse of Renewal states that organizations should learn from previous mistakes during a crisis, establish favorable relationships with stakeholders and should most importantly develop a history of ethical behavior (Ulmer et al., 2010). If done successfully, corporations can benefit from the opportunities inherent to crisis situations (Ulmer et al., 2010). Therefore, this theory is used in this thesis to identify the opportunities of a product recall for corporate reputation.

In contrast to perceiving corporate reputation as central, this theory deems rebuilding and learning from a crisis as more important (Ulmer et al., 2011). This implies that organizations should develop a prospective vision, rather than focusing retrospectively on assigning responsibility for the event. In essence, such a vision entails concrete steps for the recovery of the corporation to move forward. Also, Ulmer et al. (2010) propose that instead of interpreting the evidence surrounding a crisis with the intent to confuse the public and control stakeholder interpretations, the organization should employ ethical communication.

According to Ulmer et al. (2010), actions and a display of renewal in crisis situations

mobilize support of stakeholders and emphasize a vision for overcoming the crisis while issues of blame and culpability are neglected (Ulmer et al., 2010). The Discourse of Renewal argues that for effective crisis communication the organization should convey its learning in its post crisis responses as soon as possible. Additionally, it should focus on encouraging stakeholders to stay loyal to the organization through the crisis (Ulmer et al., 2011).

In the context of product recalls, these strategies can critically determine the effect of a product recall on consumers' perception of corporate reputation. Communicating a prospective vision, organizational learning and encouraging consumers to maintain their loyalty to the corporation can limit harmful effects and possibly even enhance corporate reputation (Ulmer et al., 2011). Especially in situations of product recalls, keeping a positive reputation by displaying ethical behavior can help to preserve consumer loyalty, which is a key objective of corporations to limit the damage of a product recall on corporate performance (Walsh et al., 2006). In this sense, the thesis takes the perspective of the Discourse of Renewal considering crisis as an opportunity. More specifically, this theory will be significant in the investigation of the sub research question. Hereby the study analyzes in how far and under which conditions product recalls can enhance corporate reputation among consumers.

c) Previous research on the impact of product recalls on corporate reputation

Among the many situations that can stimulate a reputation crisis, a product recall is an incident that can affect corporate reputation both negatively and in certain cases also positively. A product recall can stem from either product harm or a product tampering incident, while the latter occurs more frequently and is therefore referred to in this study (Laufer & Coombs, 2006). In Germany, no legal definition of a product recall exists. Therefore, the producer is free to decide which specific kind of a recall he prefers in a situation of product harm or a product tampering incident (Schlüter, 1998). Generally, a product recall refers to a removal or withdrawal of a defective good from the market by its producer. If a recalled product has been already bought by a consumer, he or she is offered rectification, exchange, or refund. The recall can take place voluntarily by the producer or can be forced by a public institution, the government or a consumer organization (Schlüter, 1998). Product recalls can be differentiated among open and covered (hidden) recalls. The former refers to a public request, for instance through mass media, to return the product immediately without leaving any doubt with the

consumer. The covered recall is pursued without consumer knowledge, for instance through a routine maintenance of the product. As product recalls of this kind are not noticeable by consumers, corporate reputation is not affected (Schlüter, 1998). Thus, this thesis focuses on discussing open product recalls. According to Souiden & Pons (2009), each recall takes place over a well-defined period and concerns a particular product. Also, product recalls may represent varying degrees of danger. Therefore, prior studies have found contradictory results in terms of the impact of product recalls on corporate performance.

Much prior research on product recalls focused on recalls leading to negative consumer perceptions and considered a recall as a threat to corporate reputation. Yet, with the emergence of the rather modern perception of crisis as an opportunity this study seeks to examine how a product recall can improve corporate reputation. Consequently, the following section discusses literature which outlines under which circumstances a product recall can pose an opportunity for corporate reputation (Murphy & Popa, 2012). More specifically, the impact of a product recall on corporate reputation among consumers critically depends on various moderating factors as perceived prior reputation, perceived responsibility of the corporation, the severity of the defect, external effects and the communication strategy (Laufer & Coombs, 2006). The following section analyzes these to lay the theoretical basis for the second research question, focusing on conditions under which a recall has a positive impact on corporate reputation.

Moderating factors of a recall. The level of perceived responsibility of the corporation among stakeholders, as proposed by SCCT and the attribution theory, can critically impact the effectiveness of crisis management and consumer perception of the corporation during a recall. Applying SCCT and the attribution theory to the case of a product recall, one can state that the attribution of responsibility for product harm to the corporation is positively related to detrimental effects for corporate reputation in a crisis (Coombs, 2007c). This entails that high attributions of responsibility for product harm to the corporation can pose a threat to corporate reputation (Coombs & Holladay, 1996). In contrast, negative effects of a product recall on corporate reputation can be limited if the responsibility attributed to the corporation is low (Siomkos & Kurzbard, 1994; Murphy & Popa, 2012). Following SCCT, the reputational threat of a product recall can be assessed by identifying the crisis type of the product recall. This indicates the level of perceived responsibility among stakeholders (Coombs, 2010). If the

product recall would be classified as a victim crisis, low responsibility for the product harm would be attributed to the corporation (Coombs, 2007a). In such a case, damaging effects of the product recall on corporate reputation would be minimal or even eliminated (Siomkos & Kurzbard, 1994; Murphy & Popa, 2012). In essence, low perceived responsibility of the corporation for product harm serves as a moderating factor of a recall to positively influence perceived corporate reputation among consumers.

Next, perceived prior reputation of the corporation pursuing a recall among consumers has an enormous impact on the effectiveness of crisis management (Coombs, 2010). According to SCCT a corporation's crisis history and prior reputation serve as intensifying factors for the threat posed by a crisis or recall to corporate reputation (Coombs, 2010). This entails that a negative prior reputation and a history of frequent crises of the corporation can enhance the threat of a product recall to corporate reputation (Siomkos & Kurzbard, 1994). This is due to the fact that consumers will attribute more blame for product harm to a corporation with a negative prior reputation than to one with positive prior reputation (ibid, 1994). As outlined in the previous paragraph, attribution theory argues that attribution of responsibility to the corporation is positively related to harmful effects for reputation. Also, for the case of an unknown brand pursuing a product recall, consumers would tend to attribute high responsibility to the corporation for the product harm, which poses a threat to corporate reputation (Laufer & Coombs, 2006).

In contrast, prior research established that a favorable prior reputation can protect a corporation's reputation during a recall (Laufer & Coombs, 2006). Laczniak, DeCarlo & Ramaswami (2001, as cited in Laufer & Coombs, 2006), found a negative relationship between corporate reputations and blame attributions to the corporation for the case of product harm. Consequently, consumers would attribute less responsibility to a well-known brand for a product harm crisis and rather blame the consumers or users of the product. However, also consumer expectations towards a corporation or brand have a critical impact on their perception of the corporation during the recall. Dawar & Pillutla (2000) found that if consumers had higher expectations towards a brand, as for example being regular buyers of that brand, they were more likely aware of the crisis and therefore more thoughtful towards the corporations' response. As a result, a positive prior reputation of the corporation might also create higher expectations of consumers towards the corporation. During a recall these might be more difficult to fulfill, which can pose a threat to corporate reputation (de Matos & Rossi, 2007).

After all, prior reputation of corporations is heavily influenced by corporations' ethical

behavior before the recall. This is also often referred to as corporate social responsibility (CSR). Today, CSR is a widely discussed concept and interpreted by a variety of actors. Generally one might state that it is often understood as businesses' doing good for society and avoiding harm (Minor & Morgan, 2011). Even though there is not one agreed upon definition for CSR, one of the most cited definitions of CSR was developed by Carroll in 1979: "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (Carroll, 1979, p. 500). This study takes the perspective of Mele & Garriga (2004) which argue that corporations should engage in long-term wealth creation, incorporate social demands in their actions and enhance ethical values (Mele & Garriga, 2004). In contrast, Cheah et al. (2007) consider CSR in a broader way as referring to engaging in actions that enlarge a social good "beyond the financial interests of the firm and that which goes beyond mere compliance with legal requirements" (p. 433). Focusing on the relation between product recalls and CSR, prior research has proven that CSR can greatly enhance corporate reputation as perceived by consumers before a crisis or a recall. As a positive prior reputation can serve as a buffer to reputational harm during a product recall, CSR indirectly shapes consumers' judgment of a corporation during a product recall (de Matos & Rossi, 2007). In brief, an adherence of CSR and a positive prior reputation of the corporation pose a condition of a recall to benefit perceived corporate reputation.

Further, also perceived severity of product harm can have a critical influence on consumers' view of corporate reputation during a recall (Dawar & Pillutla, 2000). In this sense, the impact of a product recall on corporate reputation depends on the type of problem with the product. Dawar & Pillutla (2000) state that defective products which are dangerous to consumer health can cause product-harm crises. Consequently, the corporation is seen as highly risky by consumers which can threaten corporate reputation (Murphy & Popa, 2012). Robbennolt (2000, as cited in Laufer & Coombs, 2006) found that when an incident results in a highly severe outcome, more blame will be attributed to the corporation by the consumer than if the outcome would be less severe. Following the defensive attribution hypothesis, consumers are concerned about their own well-being. Blaming a corporation for a serious event such as a product harm crisis is a way for consumers to decrease their own harm (Laufer & Coombs, 2006). As such, the attribution hypothesis states that incidents involving product failure can highly differ in terms of severity. These range from minor problems with the product to product harm crises involving more serious problems which can even affect consumer health (Laufer & Coombs,

2006). Also, different consumer segments may perceive an identical event as more or less severe, which could also impact their blame attributions (Laufer & Coombs, 2006). In contrast, recalls of products with minor defects can create benefits to the corporation in terms of brand image, which stimulates purchasing behavior (Murphy & Popa, 2012). In these situations, the costs of the recall can be offset by the benefits of rising purchasing behavior in the future. Consequently, minor harm of the recalled product presents another moderating factor of a recall which can influence corporate reputation positively.

Moreover, according to Siomkos & Kurzbard (1994), external effects such as media coverage of product harm crisis can have a critical impact on a corporation's effectiveness in dealing with the product recall. Research on the impact of external parties, such as regulatory agencies, the press and interest groups indicates that a corporation may face either negative or positive external effects during a crisis. Those effects can directly influence the corporation's success in crisis management. Yet, Siomkos & Kurzbard (1994) state that negative effects of a product recall on corporate reputation may be limited, if the press publishes positive reports on the corporation. This could be the case if the press would present the corporation as acting in a socially responsible way by recalling the harmful product (Siomkos & Kurzbard, 1994).

In brief, de Matos & Rossi (2007) argue that perceived danger of the product harm can be low if prior reputation is positive, if the recall is voluntary, if the corporation acts socially responsible and if media reports on the corporation's recall are positive. Accordingly, a recall fulfilling these conditions could positively impact perceived corporate reputation among consumers. To conclude, the moderating factors of a recall established in literature have shown how a recall can benefit or harm perceived corporate reputation among consumers. In light of previous research on the positive effect of some of these factors, the focus group discussions will examine how German consumers perceive these moderating factors of a recall and their effect on corporate reputation.

Communicating a product recall. The communication strategy critically determines the effectiveness of crisis management in a situation of product harm, which is emphasized in the following section. As consumers' judgment of a corporation pursuing a recall serves as the main predictor of consumer behavior, a corporation's communication strategy aims to influence consumers during a recall to reach the best possible judgment of the corporation (de Matos &

Rossi, 2007). Ultimately, consumer judgment of a corporation can shape perceived corporate reputation on the long-term. Yet, one must note that this judgment or consumer perception of the corporation do not appear out of the blue but are derived from a complex process of decision making. Therefore, de Matos & Rossi (2007) argue that corporations should cautiously observe and guide the factors influencing consumer decision making, which leads to a judgment of the corporation during a recall.

To influence this process in the case of product harm, Siomkos and Kurzbard (1994) identified the following strategic options for corporations. The corporation could deny any responsibility for the defective product and wait for a recall until government requires it, which would be an involuntary (forced) recall or it could recall the product voluntarily, before the government intervenes, as outlined above. Further, the corporation could display special caring and high concern with consumer well-being by acting socially responsible and by communicating honestly during the crisis. This is considered as a *super-effort* or an improvement campaign by Siomkos and Kurzbard (1994). Laufer & Coombs (2006) regard a *super-effort* as an act, in which the producer does not only recall the product voluntarily, but also offers compensation. Further, a *super-effort* could entail to simplify the product recall for the consumers by offering discount coupons or free samples of other products and by widely advertising the recall (Siomkos & Kurzbard, 1994; Murphy & Popa, 2012).

The corporation can also prove its concern with consumer welfare by communicating its actions to prevent any future occurrence of product harm (Murphy & Popa, 2012). On the one hand, this supports the Discourse of Renewal, proposing to spread organizational learning and a prospective vision (Ulmer et al., 2011). According to Ulmer et al. (2011), this could limit the threat of a product recall to corporate reputation. On the other hand, this also resembles SCCT, which proposes to start crisis communication with instructing and adjusting information (Coombs, 2010). After all, Laufer & Coombs (2006) claim, that by showing concern with consumer welfare, situations of product recalls can enable corporations to establish closer relationships with customers, which can create market benefits for the corporation. For example, a *super-effort* was employed by Burger King when they experienced a product harm crisis with a ball giveaway. In this case, Burger King offered compensation to the affected customers, communicated the recall on TV and spread safety information to pediatricians' offices (Laufer & Coombs, 2006).

Among the different options for communicating a product recall outlined above, Siomkos

& Kurzbard (1994) show in their study that a voluntary recall does not have a negative consequence for the reputation of the corporation in question. The study found that future consumer purchases will be less negatively influenced by the present crisis if the corporation responds with either a voluntary product recall or a *super-effort*. This proposes to consider a product recall as an opportunity for corporate reputation. Further, Siomkos & Kurzbard (1994) conclude that the more responsible producers or corporations act towards their clients, the less negative the impact of the product recall on consumers perception of the corporation will be.

The study pursued by Souiden & Pons (2009) sought to extend the findings of Siomkos & Kurzbard (1994) and empirically tested if a voluntary recall or an improvement campaign positively influences a corporation's image. The results proved that a voluntary recall and a *super-effort* both have a positive and significant effect on the producer's image, while the influence of the *super-effort* is even stronger. This is illustrated by the case of Chrysler in the 1990s, when a problem with their new vehicles arose during factory tests and became public. The corporation apologized and admitted the error. Here, Chrysler benefitted from this crisis and succeeded in increasing its brand capital from 45 to 65 percent (Souiden & Pons, 2009).

According to Souiden & Pons (2009), a voluntary recall illustrates that producers accept total responsibility towards their clients and show their concern for consumer wellbeing (i.e. *super-effort*) by ensuring highest quality of their products (Murphy & Popa, 2012). In this sense, they create a reliable image of their brand. As these recalls are not required by government they often entail minor defects that do not threaten consumer safety. As such, a voluntary recall can be perceived among consumers as a proactive step by the corporation to improve defected products. Additionally, this approach can decrease perceived danger among consumers and can enhance consumers' image of the producer (Murphy & Popa, 2012; Souiden & Pons, 2009). In essence, a voluntary recall could positively influence the consumers' perception of the producer, which could also affect consumer purchase intentions through increasing brand loyalty (Souiden & Pons, 2009). This effect will be tested in the focus groups to see whether such a positive effect also applies to German consumers. In any case it is critical for the corporation to communicate in an honest and transparent manner, in order to secure a positive impact of the product recall on the perceived corporate reputation among consumers (Murphy & Popa, 2012). This is supported by the Discourse of Renewal proposing to communicate in an ethical manner and to share organizational learning with stakeholders (Ulmer et al., 2011).

However, by using a *super-effort* the corporation can also risk to be perceived as

overreacting if the defect of the product in question is rather negligible. Moreover, it could risk alarming the public unnecessarily, if the effort is not justified (Laufer & Coombs, 2006).

Besides, it is clear that a product recall involves extensive efforts and costs, which would have to be covered by the benefits of a voluntary product recall (Laufer & Coombs, 2006). After all, this focus group study will analyze whether German consumers perceive a boundary condition of a *super-effort*.

d) The relevance of culture and context

This thesis is embedded in the overall context of public relations. Public relations practices are communication based activities which reflect the communication patterns of a specific culture (Zaharna, 2001). As such, communication strategies in public relations can be perceived as right or wrong in different cultural settings. This means that the effectiveness of communication strategies is, among other aspects, dependent on culture and context (Zaharna, 2001). In this sense, one cannot consider public relations as a stand-alone practice. As this study researches on German consumers' perspective of the impact of product recalls on perceived corporate reputation, it is important to take the cultural specificities prevailing in Germany into consideration. Zaharna (2001) argues that one needs to uncover hidden cultural assumptions and expectations that affect international public relations for public relations practices to be effective. Sriramesh & Vercic (2009) propose that a country's infrastructure, the societal culture and the media environment critically affect the effectiveness of PR strategies in a specific cultural context. In light of this prior research, one can state that the German cultural context shapes consumers' reactions towards corporations' crisis communication during a product recall. As such, the study at hand acknowledges that public relations' are embedded in the overall context and culture of a country.

In conclusion of the above presented literature review, the consequences of a product recall can range from a threat to an opportunity for corporate reputation. Crisis communication during a recall strives to reach the best consumer perception of a corporation as possible. Yet, this perception is developed through a complex process of decision making which leads to forming a judgment of the corporation during a recall. A variety of factors determine this process. These include the corporation's communication strategy, perceived responsibility, prior reputation, perceived severity of product harm and external effects. All of these were established

in literature to serve as moderating factors of a recall which can benefit or harm perceived corporate reputation among consumers. Moreover, the effectiveness of a corporation's communication strategy during a product recall depends on the cultural settings and the context. After all, prior research suggests that a recall fulfilling the following conditions can have a positive effect on corporate reputation: The corporation should be attributed low responsibility for the product harm and enjoy positive prior reputation. Perceived severity of the product harm should be low and media reporting should be positive. Also, the corporation should pursue the recall on a voluntary basis and employ ethical communication emphasizing organizational learning and a prospective vision.

To investigate the perception of German consumers of product recalls and their perception of the impact of product recalls on corporate reputation, the research question guiding this study is: How do German consumers view the impact of product recalls on corporate reputation? With this, the thesis addresses a gap in literature as the perception of German consumers on the impact of product recalls on corporate reputation has not been researched before. In order to test the above outlined conditions of previous research for a recall to benefit corporate reputation, the second research question states: How and under which conditions can a product recall improve German consumers' perception of corporate reputation?

Chapter III

Methodology

The following chapter introduces the chosen methodology to research the impact of product recalls on corporate reputation. The first section discusses why qualitative methodology as a research methodology was chosen. Next, I outline how focus groups served to investigate the research question and how the data was collected. Subsequently, the procedure during the focus groups and the method of data analysis is presented.

a) Qualitative methodology

The purpose of this research was to study the impact of product recalls on corporate reputation as perceived by German consumers. Additionally the thesis sought to analyze how and under which conditions a product recall can improve German consumers' perception of corporate reputation. To derive a deep and detailed understanding of these questions, this thesis used a qualitative research approach. In contrast to a quantitative research approach, a qualitative approach was well suited to investigate research questions which aimed to deeply explore a particular phenomenon with reference to its full context (Jensen, 2012). Also, Jonker & Pennink (2010) argue that in qualitative research the social context of the phenomenon studied forms part of the research. This thesis concentrated on product recalls and addressed the social context by recognizing the German culture and researching on the perspective of German consumers. The latter formed a primary source of evidence in the research (Jonker & Pennink, 2010).

A qualitative approach is based on the fact that knowledge about a phenomenon can only be obtained through the eyes of someone else (Jonker & Pennink, 2010). More specifically, qualitative research seeks to explore a specific reality or a phenomenon from the perspective of those involved. This emphasizes an understanding from the *inside out* while quantitative methodology strives to examine a phenomenon from the *outside in* (Jonker & Pennink, 2010). The study at hand employed a qualitative approach to explore the phenomenon of product recalls from the perspective of consumers as they are personally affected by them. This generated an understanding from the *inside out* (Jonker & Pennink, 2010).

In contrast to quantitative methodology, which starts by means of theoretical notions or a

model to be tested, qualitative methodology uses sensitizing concepts, which are pre theoretical, to lead the research. This suggests that theoretical knowledge about a specific phenomenon is incomplete. Indeed, this holds for this case as the study addressed a gap in research on the impact of product recalls on corporate reputation as perceived by German consumers. Consequently, a qualitative research approach can be considered as a systematic search for the unknown, which was pursued here (Jonker & Pennink, 2010).

b) Focus groups with German consumers

This study investigated the impact of product recalls on the perception of corporate reputation among German consumers and how product recalls can possibly enhance corporate reputation. To analyze these questions, a series of focus group interviews formed the core of this empirical research. Focus groups are a way of group discussions that leverage on communication between research participants in order to generate data (Kitzinger, 1995). According to Morgan (1990), focus groups allow the researcher to use “group interaction to produce data and insights that would be less accessible without the interaction found in a group” (Morgan, 1990 as cited in Threlfall, 1999, p. 102). Especially in consumer research, focus groups are a valuable tool as “the dynamic transmission of ideas will yield untapped responses and meaningful information” (Threlfall, 1999, p. 102). Morgan & Spanish (1984) stress two clear advantages of focus groups, as they “offer the chance to observe participants engaging in interaction that is concentrated on attitudes and experiences” (p. 259). As this empirical study sought to analyze the impact of product recalls on consumer perceptions of corporate reputations, focus groups allowed the researcher “to uncover the *why* behind the *what* in participant expression while getting to the core of the consumers’ beliefs” (Threlfall, 1999, p. 105). The *why* refers to consumers’ motivation and subliminal parts of the human psyche, which can be examined by focus groups (Threlfall, 1999). Here, focus groups strove to determine how product recalls are perceived by German consumers and how they impact their perception of corporation reputation.

The group interaction in the focus group illustrates the notion of multiple realities concerning the research topic, while at the same time the group discussion emphasizes themes and commonalities (Threlfall, 1999). Thus, the perspective of multiple realities arising in focus groups critically impacted the results of this study. According to Kitzinger (1995), group

discussion is particularly appropriate when research participants are encouraged to explore a series of open ended questions on the research topic in their own words, according to their own experiences. This was the case in this study, since it focused on consumer perception of product recalls. Focus groups were conducted in a semi-structured fashion which allowed the researcher to stress a few core topics while maintaining flexibility for emergent issues. As such, the discussion based on different scenarios was mainly determined by participants' contributions, opinions and experiences.

c) Data collection and sampling

DiCicco-Bloom & Crabtree (2006) state that only through the connection of many truths, research contributes to our knowledge of the meaning of human experiences. This implies that a number of focus groups were necessary to receive sufficient data for this study. In accordance with the methodological guidelines for this thesis, four semi-structured focus groups of six to seven participants per group were conducted in German language. In total, 26 German consumers participated in the four focus group discussions, which took 60 to 90 minutes. The consumers were recruited using the researcher's personal network. Individuals in the network were asked to share referrals for the recruitment of the focus group participants to ensure that the researcher did not share close ties with the participants.

The even number of four focus groups allowed for a comparison of two generations of consumers among the participants. Therefore, two focus groups consisted of participants of generation X which were between 36 and 55 years old. Both of these groups were recruited in the region near Münster in Germany and are referred to as *focus group 1* and *focus group 4* in the following. The other two groups included participants of the millennial generation (millennials) which were between 20 and 25 years old. All of these participants were students. One of these groups was recruited in Mainz, Germany, which is called *focus group 2* in the following. The other focus group with German millennials took place in Rotterdam and is referred to as *focus group 3* in the following. The numbering of the focus groups presented here stems from the order in which they were pursued in the four weeks of data collection. A more detailed overview of the focus group participants is provided in Appendix 4.

d) Procedure

Before beginning the focus group discussion, each participant was asked to sign a German consent form, declaring his or her agreement to participate in the focus group and to be recorded by a digital voice recorder. Also, this ensured that participants were aware of the research topic and of their rights as research participants. In this form, participants could also indicate if they would not like their identity to be revealed in the documentation of the research. Among all focus groups, each participant gave his consent to be recorded with a digital voice recorder during the discussion.

To accustom all participants to the research topic all focus groups started with a short scenario and a questionnaire (see Appendix 1 and 2) before the group discussion began. This was intended to gather participants' first thoughts and impressions of a recall scenario without influences of peer participants or the researcher. Hence, all participants were first divided in two teams; each team, called team "forced" and team "voluntary" in the following, received one of the two scenarios to probe their reactions towards product recalls under different conditions. The scenarios were based on preliminary research on recalls and featured either a forced or a voluntary recall by a fictional supermarket called *Bona* (see Appendix 1 and 2). This store was said to have a good prior reputation and no prior crises. Also, the store recalled an orange juice which was produced by a fictional supplier and entailed bacteria that might cause food poisoning, arousing gastro duodenal disorders. In the forced scenario, these bacteria had already caused six customers of *Bona* in France to suffer from food poisoning. Yet, *Bona* in Germany did not notice the problem itself and was forced by the German federal office of consumer protection and food safety to recall the product in Germany. In the voluntary scenario, *Bona* itself noticed that the *Sunny Garden* orange juice produced in January 2015 contained bacteria that could arouse a food poisoning. As no incidents of an infection of any customers were known in this case, *Bona* recalled the product out of caution.

In both examples *Bona* released a press statement that implemented Coombs' (2010) rebuild strategy or Benoit's (1997) mortification strategy. Hereby, *Bona* apologized to its customers and explained that the corporation was doing its utmost to protect customers from the bacteria. *Bona* offered all infected customers coverage of all medical expenses as well as a compensation fee. Also, *Bona* invited all customers that had bought the juice to return the product, receive the price paid plus a small compensation fee for the inconvenience.

Furthermore, the statement explained that *Bona* was working very hard to identify how the juice became contaminated with the bacteria during the production process and that they stopped collaborating with the producer of the juice immediately. Additionally it was mentioned that *Bona* could ensure that such an incident would not happen again and that they would maintain highest safety standards in their products.

Following the scenario, participants were asked to answer a one page questionnaire based on the scenarios (see Appendix 1 and 2). All questions were the same for both scenarios, except for two questions which differed across the two scenarios to assess the specific effect of the voluntary or forced nature of the recall on consumer perception. In its first part, the questionnaire measured consumers' perception of *Bona's* reputation after the recall. Three of these questions were adapted from McCroskey's (1966) measure of character used by Coombs & Holladay (1996). Overall, eight of the eleven questions of the questionnaire featured a five-point likert-scale, while two were a multiple choice question and the last one was a ranking question.

After answering the questionnaire, the teams were dissolved and the group discussion with all participants of the focus group started. As the focus groups were semi-structured the topics to be discussed were prepared in a discussion guide (see Appendix 3). However, the flow of the discussion and the individual situations required an adaptation of the wording and the order of the questions. The discussion began with a short warm up question on their associations with a product recall, before delving further into their general perceptions of a product recall. After that, specific conditions and aspects of a product recall were examined. These served to evaluate how and to which extent a product recall would impact perceived corporate reputation from the consumer perspective. The scenarios, the questionnaire and the discussion questions were all presented to the participants in German; however an English translation of all the documents is attached in the Appendix (Appendix 1 to 3).

e) Data analysis

Shortly after the focus groups took place the discussions, which were held in German, were transcribed and translated into English. All focus groups were conducted within a period of four weeks to allow sufficient time to finalize the transcripts and to reflect on the discussions.

The English transcripts of the focus group discussions as well as the questionnaire results served as units of analysis for the data analysis.

Inductive thematic analysis was used to analyze the transcripts of the focus groups. This analysis strived to determine the impact of product recalls on German consumers' perception of corporate reputation. Thematic analysis identifies, analyzes and reports patterns or themes within data and should be seen as a foundational method for qualitative analysis according to Braun & Clarke (2006). It categorizes and describes a data set by extensively interpreting critical aspects of the research topic (Braun & Clarke, 2006). Similarly, Vaismoradi et al. (2013) consider thematic analysis as the search and the identification of common patterns across a data set (Vaismoradi et al., 2013). According to Gavin (2008), thematic analysis is a practice of making explicit the structures and meanings embodied in a text. In this case, this refers to consumer perceptions of product recalls, indicated in the focus group transcripts (Gavin, 2008).

Thematic analysis is independent of theory and can therefore be applied to various theoretical and epistemological approaches. Consequently, thematic analysis provides a flexible and useful research tool, which can generate a detailed, yet complex, account of data (Braun & Clarke, 2006). According to Vaismoradi et al. (2013), thematic analysis is a suitable method of data analysis for answering open questions focusing on people's beliefs, motivations and concerns (Vaismoradi et al., 2013). In thematic analysis, as the term indicates, themes take a critical role, addressing an important aspect about the data in relation to the research question (Braun & Clarke, 2006). More specifically, inductive thematic analysis is a data-driven approach which implies that the identified themes are closely linked to the data themselves (Braun & Clarke, 2006). Hence, inductive thematic analysis refers to a procedure of coding the data without forcing it into established coding frames (Braun & Clarke, 2006).

The process of a thematic analysis which was followed in this study is a complex one, as described in the following. First, I read through the data, which were in this case the transcripts of the focus groups, several times. Then I coded interesting features of the data systematically across the entire data set. For example consumer perceptions of different approaches to a recall, their opinions on various communication strategies or on corporations' engagement for customer well-being served as evidence for open codes. Also I used comparing and attending to silences across the four focus group discussions to identify to which extent consumer views differed across the generations. Next, I gathered relevant data for each code. After that, I performed axial coding by identifying relations among and similarities across the various codes

(Braun & Clarke, 2006). Then, I pursued selective coding and sorted different codes into potential themes. In this step, the analysis progressed to a broader level of themes. As such, for each potential theme I collected data and identified the relationships between themes and their different levels (Braun & Clarke, 2006). In the following, I reviewed the themes to test whether they were in line with the codes and the entire data set, ensuring the validity of individual themes in relation to the data set (Braun & Clarke, 2006). After that, I developed the findings section to present a selection of the most vivid and compelling extract examples to answer the research questions. Finally, themes that linked a variety of codes were named and discussed in detail (Braun & Clarke, 2006).

Additionally, also the results of the questionnaire, which participants filled in at the beginning of the focus groups, were examined to support the findings of the discussions using quantitative analysis techniques. Hereby, I analyzed whether results of team “forced” and team “voluntary” indicated different consumer perceptions of *Bona* after each recall. Also, variations among the two generations within each team (“forced” and “voluntary”) were evaluated by comparing mean answers of the millennials and generation X.

To conclude, this chapter explained why qualitative methodology and focus groups were chosen. Also it showed how participants were sampled and the process of data analysis was pursued. The following chapter discusses the results of the thematic analysis, based on the focus group discussions as well as the answers to the questionnaire. Hereby, it will be illustrated how consumers perceive the impact of a product recall on corporate reputation and under which conditions a product recall can enhance corporate reputation.

Chapter IV

Findings

This chapter outlines the findings of the focus group discussions and the questionnaire. First, the chapter focuses on the results pertaining to the first research question on how German consumers view the impact of product recalls on corporate reputation. It presents key aspects of consumer perceptions towards a product recall. Next, this chapter answers the second research question on how and under which conditions a product recall can improve corporate reputation from a German consumers' point of view.

a) Consumer perceptions of a product recall (RQ1)

At the beginning of the focus groups, participants were asked to reflect on how they experience product recalls. Not surprisingly, most initial responses were rather negative as participants considered a product recall to be caused by a product harm, which can affect consumers' security or health.

It has a negative association. Because it shows that something in the production or the retail went wrong, so it has a negative association for me (*Participant no. 2 in focus group 3*).¹

This represents traditional preconceived ideas about a product recall among consumers and illustrates that the modern approach to PR crises considering crises as an opportunity has not yet spread among these participants. However, during the discussion participants slowly offered more varied and complex approaches on the topic in comparison to the beginning. Overall, one could describe consumers' opinions as ranging on a continuum from product recalls as a failure of security checks towards a sign of honesty, openness and responsibility. In the former conceptualization, a recall disappoints consumers' expectations about the corporation and its quality assurances.

¹ Focus group 3 consisted of millennials and took place in Rotterdam.

I think it's rather negative. Okay, not negative but, rather negative, because it would be neutral up to positive for me if nothing would have been recalled. (*Participant no. 3, focus group 2*)²

In this perception, a recall clearly has a negative effect on corporate reputation.

I still think it's a rather negative signal, as they should actually check the products, so I don't think that this symbolizes a good check system. In a good test and check system, you would notice defects before the product is offered to the customer. [...]

(*Participant no. 3, focus group 2*)³

Yet, in contrast to these rather strict judgments of corporations, the following unprompted response by a communication student shows that other participants displayed a more nuanced view on the effect of a recall on corporate reputation at the beginning of the discussion. This could be located in the middle of the continuum.

But I don't think that it has to have a negative consequence necessarily. As for me, it really depends on the reputation of the supermarket or the chain that offers the product. Also it depends on the fact if it is a widely spread product or only offered by this one store. (*Participant no. 4, focus group 3*)⁴

According to the second conceptualization of recalls on the continuum, a product recall grants consumers a positive impression. In this perspective, consumers explain the recall with the fact that a corporation is open about its mistakes by recalling a product, takes responsibility and responds before harmful consequences involving consumers arise.

Participant 1: Something can always go wrong. Let's not kid ourselves. We are all only humans.

I: Okay, so you have sympathy for that?

Participant 1: Yes! And then, if somebody recognizes his mistakes and recalls the things I can live with that very well. (*Participant no. 1, focus group 4*)⁵

² Focus group 2 consisted of millennials and took place in Mainz, Germany.

³ Focus group 2 consisted of millennials and took place in Mainz, Germany.

⁴ Focus group 3 consisted of millennials and took place in Rotterdam.

⁵ Focus group 4 consisted of consumers of generation X and took place close to Münster, Germany.

Taking this perspective, participants highly appreciated a precautionary product recall, under the conditions that the recall protects customers from any harm. Accordingly, consumers would accept and tolerate small mistakes of the corporation if it acted honestly and caringly towards consumers. The results of the questionnaire suggest a similar perspective. The questionnaire was based on two scenarios including a forced and a voluntary recall of a product with minor harm. Each focus group was split in two teams. One team of participants received the forced recall scenario (team “forced”) while the other part of participants received the voluntary recall scenario (team “voluntary”). The questionnaire results of the respective teams in all four focus groups were combined and referred to in the following as team “forced” and team “voluntary”. As the four focus groups differed by the age of the participants, the analysis also sought to identify whether the results showed differences among millennials and generation X within team “forced” and team “voluntary”. After all, the scenarios and the questionnaire tested to which extent the nature of the recall had an impact on consumer perceptions of *Bona*.

The following two tables present the questionnaire results of team “forced” and of team “voluntary”. On the vertical axes, the average answers of the two generations on the five-point likert-scale are presented, ranging from one to five. The horizontal axes present the average answers of the participants of the respective generations on question one to six, nine and ten of the questionnaire. These are compared here as they were all five-point likert-scale questions (Appendix 1 and 2). The remaining three questions of the questionnaire included two multiple choice questions and a ranking question.

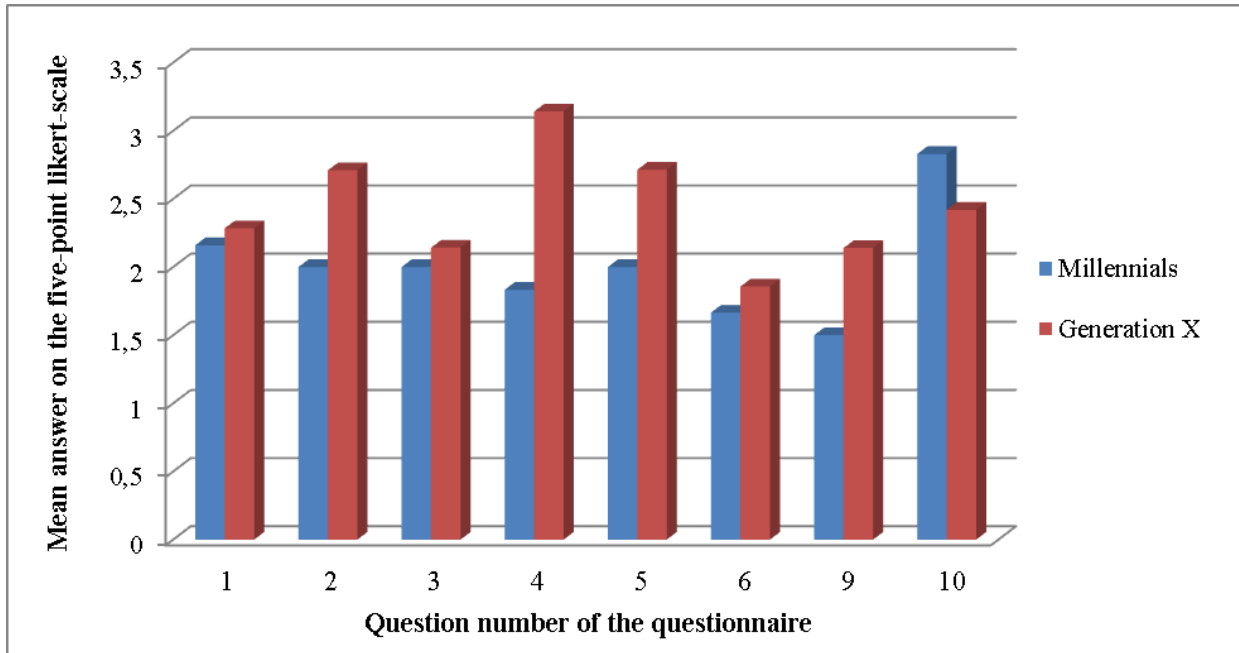


Figure 1: Results of participants who received the forced recall scenario⁶ to question one to six, nine and ten of the questionnaire

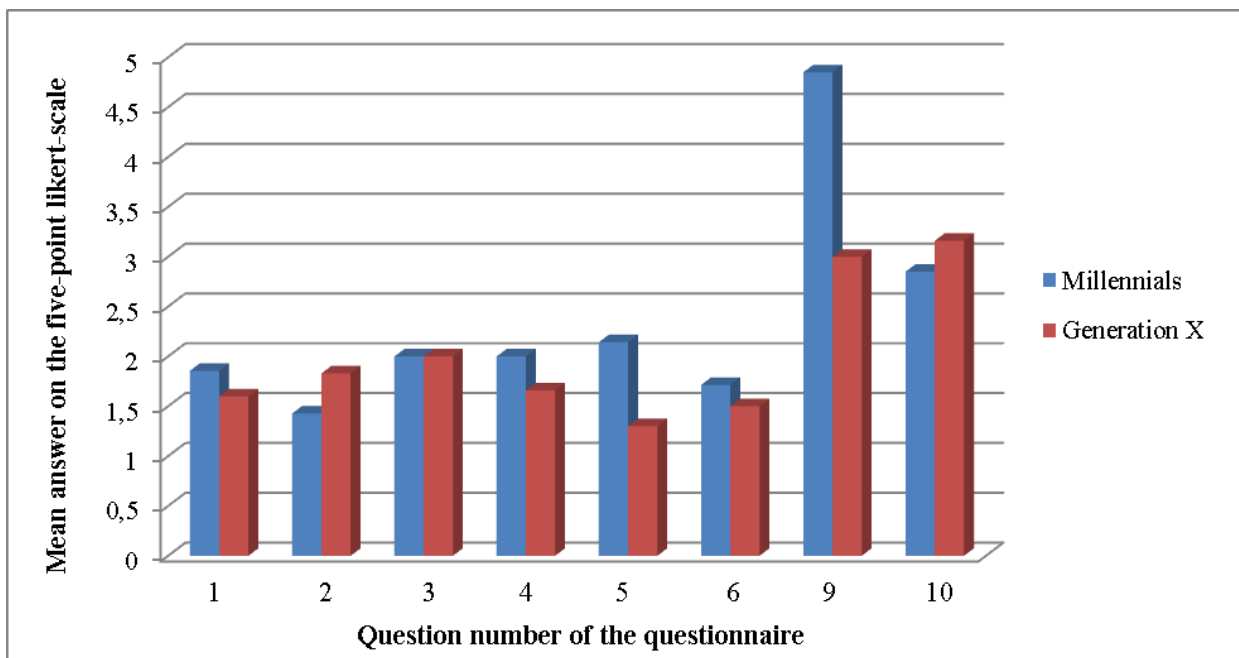


Figure 2: Results of participants who received the voluntary recall scenario⁷ to question one to six, nine and ten of the questionnaire

⁶ Participants in team “forced” received the forced recall scenario and a corresponding questionnaire.

⁷ Participants in team “voluntary” received the voluntary recall scenario and a corresponding questionnaire.

If not specified otherwise, the following results of the questionnaire emphasize the mean answers of the entire team “forced” and team “voluntary” respectively. Both generations are united before evaluating generational differences afterwards. Overall, the questionnaire results in the tables above demonstrate that participants of both teams, regardless of the generation, had a favorable perception of *Bona* after the recall. The results for question one show that team “forced” as well as team “voluntary” regarded *Bona*’s handling of the situation as rather positive. Yet, participants in team “voluntary” had a slightly more positive perception of *Bona*’s handling of the situation (M=1.76) than participants in team “forced” (M=2.2). Here, 1.0 refers to “very good”, 2.0 to “good” and 5.0 to “very poor”. The fact that none of the participants selected “poor” or “very poor” as an answer to this first question clarifies that most participants either did not consider the forced recall as very negative or were quite satisfied with *Bona*’s press statement. Similar to the first question, participants in team “forced” (M=1.76) and in team “voluntary” (M=1.62) agreed on average that *Bona*’s approach to solving the problem was adequate (question six). These rather comparable results across the two teams suggest that the significant difference between a forced and voluntary recall might have hardly been acknowledged by participants’ judgment of *Bona* after the recall. One could attempt to argue that participants either did not care much about this fact or both approaches (forced or voluntary recall) met their expectations.

In terms of consumer trust in *Bona* after the recall, the results on question four exhibit that participants who received the forced recall scenario trusted *Bona* on average considerably less than those who received the voluntary recall scenario. While the mean answer was M=1.84 in team “voluntary”, it was clearly larger and thereby more negative in team “forced” (M=2.53). Since 1.0 indicates strong agreement, a larger answer corresponds to less agreement. This indicates that the voluntary recall had a slightly better effect on *Bona*’s reputation in terms of consumer trust than the forced recall.

Further, participants in team “forced” agreed on average that *Bona* cared about the well-being of its customers (M=2.38) (question two). Yet, team “voluntary” had a more positive perception of *Bona*’s customer care (M=1.61). This might highlight that a voluntary recall gives consumers a more positive impression of *Bona*’s engagement for customer well-being than a forced recall. Likewise, participants of team “forced” also perceived *Bona* as less honest. Even though participants of both teams agreed on average that *Bona* was basically honest (cf. question five), the mean answer was higher in team “forced” (M=2.38) than in team “voluntary”

(M=1.76). This clarifies that the forced recall posed a greater reputational threat to *Bona* in terms of honesty than the voluntary recall did.

In contrast, the results on question eight of the questionnaire exhibit that the forced or voluntary nature of the recall influenced consumer perception of *Bona* only to a limited extent. This question asked which effect the forced or voluntary aspect of the respective recall scenario had on consumer perception of *Bona*. Here, both mean answers of team “forced” (M=2.23) and team “voluntary” (M=2.0) were rather similar and referred to answer option two. This option indicated that the respective nature of the recall being forced or voluntary fulfilled the expectations of the participants towards *Bona* and did not change their perception of *Bona*. One might ask how the answers on question eight can be explained. One expects that participants would regard a voluntary recall as better than a forced recall. This intuition is proven when looking at the scales for consumer trust, perceived honesty and customer care. However, the result of question eight suggests that in team “forced”, a forced recall meets participant's expectations and in team “voluntary”, a voluntary recall meets the expectations. This could propose that the forced or voluntary aspect of a recall did not have a strong effect on consumer perception.

Moreover, the voluntary and forced recall scenario also barely primed participants' general perceptions of a recall as illustrated by question ten. Participants in both team “forced” (M=2.62) and in team “voluntary” (M=3.0) indicated on average that they were neutral towards the statement that a product recall would have negative consequences for the corporation. These comparable results across both teams demonstrate that the different scenarios either did not shape participants' perceptions or were not considered as notably different.

In light of the two generations of participants among all four focus groups, the question arises to which extent the results displayed generational differences within the two teams. Overall the questionnaire results revealed a slight difference in perceptions of *Bona*'s product recall among the two generations. As the first table on team “forced” shows, in six of the first six questions which specifically emphasized on consumer perception of *Bona*, millennials had a relatively more positive perception of *Bona* than participants of generation X. For instance, millennials of team “forced” agreed more clearly to the fact that *Bona*'s approach to problem solving was adequate than participants of generation X in that team did. Moreover, as the bar for question four shows, participants of generation X in team “forced” trusted *Bona* considerably less than millennials did. Also, millennials in team “forced” perceived *Bona* as more honest than

participants of generation X in this team did (question five). In both team “forced” and in team “voluntary” millennials agreed more fiercely that *Bona* cared about customer well-being than participants of generation X did (question two). Hence, in team “forced” millennials had a more positive perception of *Bona* than participants of generation X had.

As figure 2 on team “voluntary” presents, one cannot observe a clear trend of different perceptions of *Bona* among the two generations. Some small differences in team “voluntary” can be noticed however. In four of the first six questions millennials had a relatively more negative perception of *Bona* than participants of generation X. This was for example exemplified by the results to question five, which emphasizes on *Bona*’s perceived honesty. Here, participants of generation X indicated on average that they strongly agreed (M=1.3) to the statement that *Bona* was basically honest while millennials simply agreed to the statement (M=2.14). Yet, the results of the remaining two of the six questions undermine this tendency. As the bars for question three in the table of team “voluntary” illustrate, both generations shared the same mean answer (M=2.0). For question two there was even an opposite tendency as millennials had a better perception of *Bona*’s customer care (M=1.42), than participants of generation X (M=1.83). After all, this does not suggest a definite pattern of perceptions of *Bona* among the two generations in team “voluntary”. One could only argue that there is a slight tendency of a relatively more negative perception of *Bona* among millennials than among participants of generation X. The last theme in the discussion chapter on generational differences will further evaluate these impressions.

In summary, the results to the questions of the questionnaire, which emphasized on consumer perceptions of *Bona* proposed that a voluntary recall had a relatively better impact on consumer perception of *Bona*’s reputation than a forced recall. While in team “forced” millennials had a more positive perception of *Bona*’s forced product recall than participants of generation X, one could not observe a definite trend among the generations in team “voluntary”.

Opportunity potential of a voluntary product recall. In the discussions, the questionnaire impressions of participants’ positive perception of a voluntary recall were observed even more clearly. Participants of both generations highly appreciated this kind of a recall as they understood it as corporations’ protection of their customers before any harm

occurred. In fact, many participants associated a voluntary recall with an improvement of corporate reputation.

I: And could a voluntary recall change your consumer behavior? [...]

Participant 2: I think it can even enhance the reputation of the firm (*Participant no. 2 in focus group 2*).⁸

One participant recounted an example, which resonated well with others. Here it was praised that the corporation had only an assumption of a possible problem and started to recall every car out of caution.

I think it's quite positive if we think about [participant four]'s example, when they contacted the consumers because they noticed a problem with the rear of the car. And since we have driven a VW for many years and had a trusted relationship with them, I think it gives a positive impression of VW. For me it would not be negative (*Participant no. 2 in focus group 1*).⁹

I think what [participant four] said...with the car can improve the reputation. [...]
(*Participant 1, focus group 1*)¹⁰

Consequently, many participants would perceive a corporation as highly positive during a recall if the company behaved proactively rather than reactively. Yet, some participants viewed it also as acceptable if the corporation did not notice the problem itself and recalled a product after receiving consumer complaints, as “they cannot know about the problem before anybody complained.” (*Participant no. 4 in focus group 2*)¹¹

As outlined in the second conception on the continuum of a recall as a sign of honesty, many participants thought that a voluntary recall would express responsibility and concern for customer well-being.

[...] I think it is rather a sign of responsibility if they recall the product. Like this they show their attentiveness (*Participant no. 4 in focus group 2*).¹²

⁸ Focus group 2 consisted of millennials and took place in Mainz, Germany.

⁹ Focus group 1 consisted of consumers of generation X and took place close to Münster, Germany.

¹⁰ Focus group 1 consisted of consumers of generation X and took place close to Münster, Germany.

¹¹ Focus group 2 consisted of millennials and took place in Mainz, Germany.

¹² Focus group 2 consisted of millennials and took place in Mainz, Germany.

Additionally, participants explained that they would consider a voluntary recall as even better if product harm would be small. Thereby they could choose freely to return the product to the store to have it fixed by the corporation or to throw it away. For most of the participants, this could impact their perception of corporate reputation positively, as it would be seen as especially customer oriented.

Participant 2: When they see that there is tiny product harm and they recall the whole batch of products directly it would really confirm my image of the firm.

Participant 1: They cannot even do anything else than what they did in this example [of *Bona*].

Participant 6: Yes, with the compensation and the other things the example made a good impression I think. (*Participant no. 1, 2, and 6 in focus group 2*)¹³

Once again, this confirms the positive impression of *Bona's* voluntary recall and its customer care on participants' attitude towards *Bona*. After all, the opinions of participants discussed here illustrate that a precautionary recall of a product can enhance perceived corporate reputation.

In contrast, the detrimental effect of a forced recall on corporate reputation outlined in the questionnaire results above is even more prominent in the discussion. When asked directly for the impact of a forced recall on their perception of a corporation, participants expressed their negative feeling towards a forced recall. In general, it was observed that a forced recall had harmful consequences on consumers' judgment and their perceived reputation of the corporation.

[...] they were forced to recall their cars, and that's unacceptable to me [...] (*Participant no. 1 in focus group 1*).¹⁴

For example, participants explained that "if the recall would be forced, it would not matter what kind of statement they would have released" (*Participant no. 7 in focus group 2*)¹⁵. This demonstrates that an apologetic statement would not be viewed as credible after a recall, if consumers would know that the corporation was forced to pursue the recall. The negative perception could be explained as follows. The underlying assumptions of a forced recall were

¹³ Focus group 2 consisted of millennials and took place in Mainz, Germany.

¹⁴ Focus group 1 consisted of consumers of generation X and took place close to Münster, Germany.

¹⁵ Focus group 2 consisted of millennials and took place in Mainz, Germany.

clarified at the beginning of the discussion. Further, the nature of a forced recall was emphasized by question nine of the questionnaire. This question showed that when asked directly about the effect of a forced recall on their perception a forced recall did have a negative impact. Here, a majority of participants in team “voluntary” revealed that a forced recall would slightly worsen their perception of *Bona*. In contrast, among those who received the forced recall scenario, participants indicated on average that a voluntary recall would slightly improve their perception of *Bona*. Hence, one can conclude that a forced recall can deteriorate consumer perception of a corporation if this aspect is stressed in front of consumers.

To conclude, the results suggest that at the beginning of the focus group discussions traditional preconceived ideas of a crisis or a product recall as a threat towards corporate reputation prevailed among consumers. Yet, in the run of the discussions the opinions ranged among two general perceptions which can be located on a continuum. While a part of the participants viewed a recall as a sign of the corporation’s mismanagement, another part regarded it as an act of honesty and responsibility. This latter conceptualization of a recall illustrates the perspective of this study, considering a recall as an opportunity. Further, in this regard a voluntary recall was highly valued. When asked directly for this aspect in the discussions or in the questionnaire, consumers notably preferred a voluntary recall over a forced recall. After all, a voluntary recall can positively influence consumer perception of corporate reputation.

b) Conditions of a recall to enhance corporate reputation (RQ2)

This section focuses on the second research question and discusses how and under which conditions a recall can enhance German consumer perceptions of corporate reputation. Besides the positive impact of a voluntary recall as a precautionary effort outlined above, this section emphasizes on (1) prior reputation, (2) perceived responsibility, (3) severity of product harm and (4) a corporation’s approach to a recall. Finally, the section evaluates to what extent the fulfillment of the identified conditions safeguards or even improves corporate reputation.

The impact of prior reputation. Among the many positive effects of product recalls on consumer perception, prior reputation of the respective corporation is critical. During the

discussions participants explained that prior reputation can notably determine the effect of a product recall on corporate reputation.

[...] As for me it really depends on the reputation of the supermarket or the chain that offers the product [...]. (*Participant no. 4 in focus group 3*)¹⁶

In fact participants noted that they would be more forgiving towards their favorite brands, whose reputation they regard as positive. In case of a forced recall by their favorite brand, for example a car producer, they would not switch the brand directly but would “maybe have [their] my car tested to see if everything is alright” (*Participant no. 1 in focus group 3*)¹⁷. Nonetheless, “this incident would decrease [...] image of them a little” (*Participant no. 1 in focus group 3*)¹⁸. This indicates high irrationality and shows that an emotional connection with a brand lets consumers overlook and accept many more problems than they would do with unknown or disliked brands. For many participants, positive experiences with a product or brand were critical for a perceived positive reputation.

[...] I mean Aldi [...] I mean they have an image of a discounter. So when they recall a product once, it would not change my purchase behavior. (*Participant no. 4 in focus group 2*)¹⁹

As such, positive prior experiences with a brand could serve as a buffer for the reputation during a recall. Further, considering a recall of a local supermarket close to their home without severe consequences, the discussions illustrated that many would be hesitant to change their purchase behavior after the recall. Yet, the section on perceived severity of product harm will further evaluate this impact. The following quotes of two participants exhibit that also shopping habits and preferences towards a certain store had a considerable effect on their perception.

[...] I think we would be careful about it for a certain time and avoid the brand that started the recall at first, but sooner or later I would buy the same product again, out of convenience. (*Participant no. 3 in focus group 1*)²⁰

¹⁶ Focus group 3 consisted of millennials and took place in Rotterdam.

¹⁷ Focus group 3 consisted of millennials and took place in Rotterdam.

¹⁸ Focus group 3 consisted of millennials and took place in Rotterdam.

¹⁹ Focus group 2 consisted of millennials and took place in Mainz, Germany.

²⁰ Focus group 1 consisted of consumers of generation X and took place close to Münster, Germany.

[...] If there is a problem, then you would avoid it for a certain time at first. But at some point, if you are close to the store anyway then you would also go there again. I think it would not drive me off forever. (*Participant no. 2 in focus group 1*)²¹

Moreover, in the focus groups many participants indicated that they would think about a product harm incident much more often if it would affect a shop they regularly shop at, than when if it would affect another store. Yet, as the previous quotes suggest, participants' habits and the convenient location of a local supermarket would stop them from avoiding that store as "laziness would win" (*participant no. 7 in focus group 2*)²². Since they would be more tolerant and hardly change their consumer behavior towards a local store after a recall without severe consequences, one can state that corporate reputation would also not be affected. As the consumers would shop at the close store regardless of a recall, it is clear that not only corporate reputation but also proximity matters. Overall, the results propose that prior reputation, brand affinity, and convenience of a store assume a crucial role in protecting a corporation from reputational harm during a recall. Further, one might argue that prior reputation on its own can rather serve as a solid basis for a positive impression of a recall than enhance corporate reputation during a recall.

In contrast to the supportive effect of positive prior reputation, a recall of a corporation with negative prior reputation has the potential to destroy corporate reputation.

For me, this would mean that I would never go there again. (*Participant no. 2 in focus group 4*)²³

This shows that a recall of a firm with negative prior reputation could decrease the reputation even further since consumers "would not trust [the corporation] anymore" (*Participant no. 4 in focus group 4*)²⁴. Also, consumers indicated that the frequency of recalls is critical for them:

It depends on how often it happens. If it was a one-time thing, then it's alright, but if they keep attracting attention because their suppliers are so bad, then I would lose trust in the store. (*Participant no. 2 in focus group 2*)²⁵

²¹ Focus group 1 consisted of consumers of generation X and took place close to Münster, Germany.

²² Focus group 2 consisted of millennials and took place in Mainz, Germany.

²³ Focus group 4 consisted of consumers of generation X and took place close to Münster, Germany.

²⁴ Focus group 4 consisted of consumers of generation X and took place close to Münster, Germany.

²⁵ Focus group 2 consisted of millennials and took place in Mainz, Germany.

In essence, if a recall would occur repetitively, it could destroy corporate reputation since it would call into question whether the corporation actually tried to improve quality and safety after the first recall. Hence, the corporation would fail to be considered as reliable and credible. This impression was also confirmed by the questionnaire results on the scenario of *Bona*. Consumers would have perceived *Bona* more negatively, if they would have had a rather negative reputation before the recall. A majority of team “forced” (69,23%) indicated that this would question their perception of *Bona* and slightly change their consumer behavior. Participants of team “voluntary” chose an even stricter response, indicating that they would trust *Bona* less in that case and would avoid buying there. Thus, one can argue that participants who received the forced example tended to be more tolerant towards *Bona* or were rather ignorant of *Bona*'s reputation, than participants of team “voluntary”. In any case, this proposes that negative prior reputation greatly deteriorates consumer trust in the corporation pursuing the recall. Consequently, a recall of a corporation with negative prior reputation could destroy any of the remaining reputation among consumers. In contrast, one can conclude that a positive prior reputation and convenience of a store can shield a corporate reputation from detrimental effects during a recall.

The impact of perceived responsibility. In general, the discussions clarified that responsibility attributed to the corporation must be low to enhance corporate reputation among consumers. In this regard, perceived responsibility is a key factor for participants' perception. Also the results of the questionnaire supported this finding. The answers on question eleven suggested that responsibility for product harm or the lack thereof was more important for participants than prior reputation, media reports or the threat to consumer health. Further, participants' views on *Bona*'s responsibility exemplified that if a corporation was not regarded as responsible for product harm, corporate reputation was hardly affected by the recall. During the discussion participants changed their opinions on to which extent *Bona* was responsible for the product harm. At the beginning of the discussion many participants explained that they did not think *Bona* was responsible because *Bona* had bought the product from a supplier.

[...] In this example they did not produce it themselves, and then they are also not directly responsible for the product harm. (*Participant no. 6 in focus group 2*)²⁶

In this sense, many participants thought that it is the sole responsibility of producers to ensure the quality of a product sold at a supermarket. Hence, the following quote indicates that retailers can shift the blame to producers.

I think in case of something like this, you would rather forgive them. If it was a supplier who did a mistake, then you would shift the blame to the supplier, instead of to the store or the firm itself. If they would switch the supplier, then for me the problem would be solved. (*Participant no. 2 in focus group 2*)²⁷

During the discussion, participants changed their mind and came to the conclusion that *Bona* was to some extent responsible for the product harm. This in turn led them to question their perception of *Bona*. Hereby, it is demonstrated that low perceived responsibility can have a more positive effect on corporate reputation than higher responsibility. Therefore, low perceived responsibility of a corporation is one of the conditions of a recall that can improve corporate reputation. The example of the Tylenol recall also illustrated that a recall of a corporation that lacks responsibility with respect to the product harm could enhance some of the participants' perceptions.

I would say that this could improve the reputation. If you as a firm do something to avoid harm, even though you did not even cause the problem, [...] they reacted even though it was not their fault, apologized to the customer and offered compensation, I think that this really shows that the firm cares [...]. (*Participant no. 1 in focus group 3*)²⁸

While this opinion was shared by many participants, some participants also considered the effect of a recall like the Tylenol case on corporate reputation as neutral. These participants associated the implications of the product harm, killing several people with the corporation.

²⁶ Focus group 2 consisted of millennials and took place in Mainz, Germany.

²⁷ Focus group 2 consisted of millennials and took place in Mainz, Germany.

²⁸ Focus group 3 consisted of millennials and took place in Rotterdam.

That is difficult. Improving is always a difficult question...certainly not with something like that. Maybe it is not worsening the image either, but improving it? I don't think so.
(Participant no. 1 in focus group 4)²⁹

Furthermore, the discussions demonstrated that media could greatly strengthen the effect of perceived responsibility. In fact, media can stress either a positive or a negative effect of a recall on corporate reputation by guiding their opinion. Nearly all participants agreed that it had a crucial impact on their perception of a corporation if media would blame this corporation for some product defect. In this regard, media has a powerful effect on perceived responsibility and consumer perception of the corporation during a recall in general. Therefore, an improvement of corporate reputation clearly depends on whether the corporation is regarded to be responsible and on the severity of product harm, which will be discussed in the following section. In any case, one can conclude that low perceived responsibility for product harm can enhance corporate reputation.

The impact of product harm severity. The discussions have shown that the severity of product harm can influence consumer perception of a product recall. Overall, the more severe participants considered a product harm incident to be, the stronger and the longer it can affect corporate reputation. More specifically, proximity to a recall and product category were referenced in assessing perceived severity. The discussions exhibited that participants would regard a recall incident as more severe if they were directly affected by the product harm than otherwise. The latter is the case for example, if they do not shop at the supermarket that recalled a product or only hear about the recall in the media. Further, product category is critical as consumers would be more concerned about recalls of food products and cars than about recalls of clothes or household products as the former poses health and safety concerns. In fact, recalls of more expensive products such as cars affected participants to a greater extent than recalls of less expensive products. Thus, it was found that the more consciously participants buy a product and the more serious the product harm is for consumer health, the worse is the effect on their perception of the corporation in question. In the group discussions, participants revealed that a recall of a harmful product which is detrimental to someone's health and had infected or injured

²⁹ Focus group 4 consisted of consumers of generation X and took place close to Münster, Germany.

people before would cause them to change their consumer behavior and switch brands. In all focus groups, participants were shocked to hear about a recall example in which consumers died in accidents due to a systematic problem with a car. In this case, consumers would hesitate to buy anything else from that brand and would remember the incident for a long time. This illustrates the considerable and long-term negative effect of severe product harm on corporate reputation and the loss of consumer trust.

Further, participants mentioned that they would completely avoid a store if there would be an apparent and persistent problem with the whole store. Also, participants' image of a corporation would deteriorate, if a product produced by the supermarket would have a defect for which they would attribute responsibility to the store. In fact, fresh meat, fish, vegetables and baby products were seen as highly sensitive products. If these would be affected by a product harm incident, it would highly impact consumer perception of the store, as the following quotes indicate.

If there is a problem with fresh meat, or fish or vegetables, it is a much bigger deal.

(Participant no. 2 in focus group 1)³⁰

[...] I would still differentiate between for example fresh meat...then it's an absolute taboo for me [...] *(Participant no. 2 in focus group 1)³¹*

After all, the discussion exhibited that not even a positive prior impression of the store could prevent negative effects on reputation in such a case. Besides, one participant explained that she avoided a baby food product for a long time after the same product had infected a large number of babies in China and had been recalled there. As such, severe product harm can notably influence consumers' purchase behavior.

In contrast, recalls of products with minor product harm which do not affect consumer health could even be perceived as positive by participants. One participant recounted an example of a recall of chocolates which were produced wrongly but did not pose any risk to consumer health. Among most participants, this was considered as a sign of responsibility and reliability. Thereby, such a recall incident could enhance perceived corporate reputation and would not impact consumers' purchase behavior. Likewise, the results of the questionnaire

³⁰ Focus group 1 consisted of consumers of generation X and took place close to Münster, Germany.

³¹ Focus group 1 consisted of consumers of generation X and took place close to Münster, Germany.

showed that a product recall of a local supermarket needs to be quite serious in order to change participants' purchase behavior on the long-term and deteriorate their perception of corporate reputation. In the results to the questionnaire featuring a minor product harm incident, both teams ("voluntary" and "forced") indicated that they would keep on shopping at *Bona* after the recall. Even more participants who received the forced recall scenario (61,53%) would keep on shopping at *Bona* than participants of team "voluntary" (46,15%). This suggests that regardless of the kind of recall, participants would on average not avoid the supermarket after a recall of a product with minor harm. Possibly, both scenarios of the recall with minor product harm satisfied participants' expectations to such an extent, that they would not avoid the store after the recall. Additionally, one could also argue that often a recall has only a limited effect on consumer purchase behavior. In this regard, other aspects may play a larger role. These might for example include proximity of a store and convenience as discussed above.

In contrast to many participants' positive reactions towards a recall of a product with minor harm, there were a few participants who displayed a rather skeptical attitude. These saw such a recall as possibly hiding a bigger problem.

Well, with such a product recall I always think...I get a little skeptical because I wonder, is this really the true reason why they are recalling it or is there something else?

*(Participant no. 5 in focus group 3)*³²

Also, some participants viewed a recall of a product with minor harm as an overreaction and as a waste of resources.

I would perceive it as ridiculous. It would maybe worsen my image of the firm in a sense that I would say, they do not react appropriately with respect to the situation, just a little overreacting. And therefore I would have negative emotions about it. *(Participant no. 2 in focus group 3)*³³

This illustrates that minor recalls which might be intended by the corporation to show professionalism do not necessarily have a positive effect on all consumers' perceptions, as some regarded it negatively. Yet, considering all participants in total, the results distilled that recalls

³² Focus group 3 consisted of millennials and took place in Rotterdam.

³³ Focus group 3 consisted of millennials and took place in Rotterdam.

of products with minor harm could confirm a positive prior image of a corporation and even enhance corporate reputation among participants.

A corporation's approach to a recall and ethical communication. Overall, the discussions suggested that a corporation's specific approach towards a recall had a critical impact on participants' perception of the store. This entailed corporate engagement for customer well-being, their use of ethical communication and transparency. In the scenario of *Bona*, this approach was expressed in the drafted press statement. According to the results of the questionnaire and the discussions, participants were rather impressed by the approach taken by *Bona* in the press statement.

Yes, I think this message did improve my impression a little. (*Participant no. 6 in focus group 2*)³⁴

Yes, I found it pretty good, too. They really did as much as they could! (*Participant no. 1 in focus group 2*)³⁵

More specifically, *Bona*'s press statement illustrated the corporation's honesty, openness and customer care. Hereby, consumer reactions demonstrate the effectiveness of the rebuild and mortification strategy. Overall, the results propose that a press statement can very much protect corporate reputation or even enhance it after a recall. However, even though participants appreciated the corporations' display of customer care, many were mistrustful about the true intentions of the corporation. These participants believed that a corporation would not honestly care about its customers and would simply use "window-dressing" (*Participant no. 2 in focus group 4*)³⁶ to save their own reputation.

I think it all sounds so promising, but after all, it is only advertisement. (*Participant no. 3 in focus group 4*)³⁷

[...] That is a corporation. They don't care about that, they seek for profit. (*Participant no. 2 in focus group 3*)³⁸

³⁴ Focus group 2 consisted of millennials and took place in Mainz, Germany.

³⁵ Focus group 2 consisted of millennials and took place in Mainz, Germany

³⁶ Focus group 4 consisted of consumers of generation X and took place close to Münster, Germany.

³⁷ Focus group 4 consisted of consumers of generation X and took place close to Münster, Germany.

Also some participants supposed that multinationals did not recall a product out of sympathy for their customers, but were forced to pursue a recall to enhance corporate reputation. This indicates a lack of credibility among some participants and a mistrust of international businesses. Yet, in contrast to this rational understanding, participants still appreciated corporations' efforts for customer wellbeing, which exemplifies their emotional reactions.

[...] I do not think it is honest, but I think it is better than not writing it. (*Participant no. 2 in focus group 2*)³⁹

Among the many aspects discussed in the press statement, the apology was considered the most important one, even though many participants did not think it was credible.

I: [...] Would you perceive the apology as honest?

Participant 2: No, because for me, it has to be a part of the statement. (*Participant no. 2 in focus group 4*)⁴⁰

In essence, the apology was viewed as a must. The absence of an apology could even “impact [a participant's] perception of the firm a little negatively” (*Participant no. 1 in focus group 1*)⁴¹. Therefore an apology was a necessity for participants but did not have the potential to enhance their perception. Nonetheless, many millennials regarded an apology as less important than a transparent behavior during a recall, which they believed was much more authentic.

For me transparency is much more important than these apology statements. I think this is set up so strategically that it seems dishonest to me. Of course it should be based on an apology, but forcing that makes less sense. [...] (*Participant no. 2 in focus group 3*)⁴²

From their perspective, the firm could restore and improve its image by employing transparency. In this regard, the firm has to demonstrate how to prevent another product harm incident in the future.

I think they could improve their reputation if they somehow change their security checks.

If they for example would implement new ways of tests to examine food...if they would

³⁸ Focus group 3 consisted of millennials and took place in Rotterdam.

³⁹ Focus group 2 consisted of millennials and took place in Mainz, Germany

⁴⁰ Focus group 4 consisted of consumers of generation X and took place close to Münster, Germany.

⁴¹ Focus group 1 consisted of consumers of generation X and took place close to Münster, Germany.

⁴² Focus group 3 consisted of millennials and took place in Rotterdam.

do this in a clever way and communicated it well, then I think my brand image could change. (*Participant no. 2 in focus group 3*)⁴³

While such measures of transparency were proposed and highly valued by millennials, they were less appreciated by participants of generation X. These participants rather valued compensation. Besides generation X, compensation was perceived as a welcoming gesture among participants across all focus groups, which is exemplified by the following quote.

I: [...] Participant 1 just mentioned restoring of the firm's image. [...] How could it be improved in your perspective? [...]

Participant 1: If they would for example offer a compensatory fee. [...] (*Participant no. 1 in focus group 2*)⁴⁴

Considering the different preferences among the generations, possibly the education of the participants might have an influence on consumer opinion. While participants of the millennial generation were undergraduates, a majority of participants of generation X did not have an academic background. Accordingly, one might seek to argue that students were simply more acquainted with the concept of transparency than participants of generation X were.

In brief, the results advocated that corporate display of transparency, openness, honesty, an apology and customer care were highly valued among participants. In fact, a recall should be communicated by employing these aspects. Such an approach could even enhance perceived corporate reputation among participants.

Varying opinions on the positive effect of a recall on corporate reputation. Overall, the preceding findings suggested that it is - under certain conditions - possible that a recall can enhance corporate reputation. The conditions, which were distilled from the focus group discussions, are as follows. (1) A corporation should recall the product voluntarily and out of caution before there are any consumers affected. Also, the corporation should (2) enjoy positive prior reputation and (3) not be perceived to be responsible for the product harm. Further, (4) the product harm should be small. Finally, corporate reputation can be improved if the corporation (5) apologizes with regards to the problem, (6) employs honest communication and (7) acts

⁴³ Focus group 3 consisted of millennials and took place in Rotterdam.

⁴⁴ Focus group 2 consisted of millennials and took place in Mainz, Germany.

transparently during the recall process. Overall, consumers view an adherence to these conditions during a recall differently. While some participants reward a recall fulfilling these conditions with better perceived reputation, others simply feel that the adherence confirms their perception.

Participant 1: [...] If I would have had a positive impression of them before and would have known them and I see that they reacted, then it would be alright for me.

I: Okay, so it would not improve the reputation?

Participant 1: No, it would not improve anything. (*Participant no. 1 in focus group 1*)⁴⁵

Here, consumers' experience with the respective corporation had a considerable effect on consumer perception.

I think a recall can never necessarily improve the reputation, I think it can either confirm your perception that it is a good brand, because they are dealing with the situation responsibly. Or it can confirm the reputation in the sense that you think, I never liked them before and I have read very bad reviews of them [...]. (*Participant no. 3 in focus group 3*)⁴⁶

The reason for such a consumer perception might be based on the fact that a positive prior reputation of a corporation leads consumers to have high expectations towards a corporation. In this regard, a recall simply confirms that earned trust. Therefore, it is even harder for corporations with positive prior reputations to exceed these expectations and improve their reputation during a recall than for those whose prior reputation is less positive. In any case, confirming a positive reputation by a recall is already highly desirable for any corporation. A confirmation of corporate reputation safeguards consumers' loyalty towards the brand. This can in turn consolidate customer relationships with the corporation for the long-term, which can protect corporate reputation. In this regard, even a neutral effect of the recall could have a great long-term effect. The longer the consumers stay with one brand regardless of a recall, the smaller is the chance that the respective consumer switches brands. As a result, considering all participants in total, a recall fulfilling the proposed conditions can enhance consumer perception of corporate reputation.

⁴⁵ Focus group 1 consisted of consumers of generation X and took place close to Münster, Germany.

⁴⁶ Focus group 3 consisted of millennials and took place in Rotterdam.

The findings also highlighted some cultural and contextual considerations as participants expressed high expectations towards corporations in a recall situation. For example participants noted that “Germans can be quite meticulous concerning safety and order in general” (*Participant no. 4 in focus group 3*)⁴⁷. These high expectations towards corporations might imply that they would rely on high security standards, and if adhering to these standards, trust products and corporations. Consequently, they would quickly buy a product again after it has been recalled or not avoid any store at all. But on the other hand, this could also imply that these consumers would be disappointed quickly if a problem of the corporation would occur.

I also think that Germans are the strictest, because we think so much about our standards and principles and that matches our principles very well. (*Participant no. 2 in focus group 2*)⁴⁸

Additionally, participants were also convinced that their high expectations towards corporations during a recall stem from consumers’ strong position in Germany. In this sense, they would expect firms to take responsibility. This illustrates that the effectiveness of crisis communication during a recall strongly depends on the cultural context.

c) Summary

Overall the findings have shown that prior reputation, perceived responsibility, severity of product harm as well as shopping habits had a significant impact on consumer perception of corporate reputation during a recall and their purchase behavior. Hereby, consumers’ emotional relations with a corporation or brand had a critical impact on their attitude towards the recall. Moreover, participants appreciated corporations to act on a voluntary and precautionary basis during a recall. Corporations’ ethical communication and their display of customer care during a recall were also highly valued among all participants. However, while corporations’ transparency was demanded by millennials, participants of generation X especially cherished compensation payments.

In essence, the findings proposed that a recall can, under the conditions outlined in the

⁴⁷ Focus group 3 consisted of millennials and took place in Rotterdam.

⁴⁸ Focus group 2 consisted of millennials and took place in Mainz, Germany.

preceding section, enhance corporate reputation. Even though a few participants argued that a recall fulfilling these conditions would only confirm their perception of the corporation, no negative impact on corporate reputation was observed. Considering the total group of participants, one can conclude that a recall under these conditions can have a positive effect on perceived corporate reputation among a subset of German consumers.

Chapter V

Discussion and Conclusion

This chapter analyzes the results of this focus group study and presents the themes of the analysis. (a) The first theme discusses how corporations may prime consumers' perception of corporate reputation during a recall. (b) Next, it is examined how corporations can score among consumers with ethical behavior during a recall and thereby enhance consumer perception of corporate reputation. (c) Moreover, a recall might serve as an opportunity for corporate reputation, if it is considered to be part of corporate social responsibility (CSR). (d) The fourth section discusses whether corporations should adapt their recall strategy to the different generations. (e) Finally, a conclusion presents the main findings of the study, practical implications, research limitations and suggestions for future research.

a) Corporate influence on consumer perception

This focus group study analyzed the impact of product recalls on German consumers' perception towards corporate reputation. In general, participants' perceptions of a recall ranged from a recall as a threat to corporate reputation to a sign of honesty and responsibility. The latter resembled the perspective of this thesis towards product recalls as an opportunity for corporate reputation. To further analyze the possible positive impact of product recalls, the research examined how and under which conditions a product recall could enhance perceived corporate reputation among consumers. The findings identified several conditions under which this could be the case. In summary, the results suggested that consumers' decision making to generate a judgment perception towards a corporation during a recall is a difficult process, which is influenced by various factors. To describe this complexity, scholars developed various models. Beginning with Adam Smith, theories of consumer behavior have for a long time been based on the assumption, that consumers act rationally and strive for their own utility maximization. This assumption has also been used in the grand models of consumer decision-making which described decision making as a logical problem solving approach (Erasmus et al., 2001). Indeed such an approach was partly observed in the discussions. Whenever participants were asked directly whether corporations are motivated to engage in customer-care, participants rationally argued that corporations would mainly strive for their own profit. Mostly however, participants'

behavior could not be explained by the grand models of consumer decision-making. Instead, their perception towards the corporation was affective and determined by emotions. For example, participants' emotional relations to a corporation and its brand could greatly protect corporate reputation during a recall, even in cases of a forced recall. In this regard, some argue that describing consumer behavior as rational would be too simplistic, since it is rather a complex process, shaped by situational factors and personal influences (Erasmus et al., 2001). If that is true, how can one predict the irrational and emotional opinions of consumers during a recall? If prediction is possible, corporations could adapt their strategy accordingly during a recall and in turn influence consumers as desired to reach reputational benefits.

Among the many concepts that aim to explain consumer decision making, priming theory argues that the activation of one thought triggers related thoughts and associations (Berkowitz, 1984 as cited in Straubhaar et al., 2013). The priming effect serves as a shortcut strategy for consumers to infer judgments based on a few cues in a complex situation (Wang, 2007). More specifically, priming indicates that "a stimulus can activate previously learned cognitive structures, thereby influencing the judgment process" (Wang, 2007, p. 125). The retrieved associations with the corporation can thereby shape consumers' perceptions subconsciously (Tulving & Schacter, 1990). In a communication context, previous research has established that media images or messages can stimulate related thoughts of consumers and can thereby construct a perceived reality in the minds of consumers (Straubhaar et al., 2013). In product recalls, the corporate press statement or display of customer care initiates a process of associations with the corporation. In this regard, the cue is to generate a favorable judgment towards the corporation (Bowen, 2005). Thus, corporations could use priming in their communication to shape a perceived reality of consumers to their favor in order to enhance corporate reputation (Bowen, 2005).

Likewise, the halo effect can guide consumer perceptions by retrieving associations. The halo effect was first discovered by Thorndike in 1920 and has been understood as a person's rating of specific attributes of an object or an individual that influences the person's general attitude and thoughts towards that object or person (Leuthesser et al., 1995). Corporate communication research has found that prior reputation can create a halo effect that protects a corporation during a crisis (Coombs & Holladay, 2006; Sohn & Lariscy, 2014). In this sense, the results of this study might suggest that participants' perceptions of a corporation during a recall are influenced by the halo effect of earlier experiences and a corporation's prior

reputation. If so, a strong focus on a good reputation can shield the corporation from the detrimental effects of a potential future recall.

Further, the framing effect is often described as selecting certain aspects of a problem or a situation in a perceived reality and emphasizing them in a way to promote a particular perspective or moral judgment to a problem (Wang, 2007). In fact, frames influence the availability of associations in memory which can guide consumers' interpretations of the problem and the corporation (Kim et al., 2014). From a communication perspective, framing can particularly influence consumer perceptions of a message, a strategy or an image. In case of a product recall, corporations can frame the situation in their press statement to generate a favorable consumer judgment and construct a perceived reality that is beneficial for the corporation. The findings proposed that *Bona's* press statement, corporate transparency and ethical communication can frame consumer perception which generates a positive perception of the recall and the corporation. All in all, the priming effect, the halo effect as well as the framing effect explain consumer perception pretty well. This illustrates the enormous utility of these models for corporations to influence consumers by constructing their perceived realities with respect to the recall.

b) Is honesty worth it?

This study has been guided by the question how corporations can turn a product recall into an opportunity for corporate reputation. Among all focus groups, participants explained that they desired corporations to employ ethical communication by acting honestly and openly during a recall. Scholars support this perspective since they consider honesty as a necessity to build credibility and trust among consumers (Seeger, 2006). Furthermore, participants expected a corporation to apologize, which is supposed to demonstrate sympathy and transparency. Also corporations' display of learning from previous mistakes was highly valued (Ulmer et al., 2010). In prior research an apology was often referred to as one of the best crisis responses due to its strong positive effect on perceived corporate reputation among consumers (Coombs & Holladay, 2008). Thus, corporate reputation during a recall could be improved, if corporations fulfill high moral standards and display ethical behavior. One can argue that these expectations towards corporations represent Kant's categorical imperative. This requires any responsible human being to "act as if the maxim of your action were to become by your will a universal law

of nature” (Kant & Paton, 1948, p. 30). In other words, consumers envision corporations to act ethically and treat consumers like they treat themselves.

Some scholars call such desire to act openly and disclose information on the product harm as fast as possible the *stealing thunder* strategy (Arpan & Roskos-Ewoldsen, 2005, p. 425). Accordingly, a corporation opens up about the recall before media can discover the news, which can secure positive reputational effects (Arpan & Roskos-Ewoldsen, 2005). Yet, crisis situations are determined by high uncertainty in which not all necessary information is directly available (Seeger, 2006). In this regard, the employment of high ethical standards and in turn a full disclosure on the recall might present a dilemma in a highly competitive environment. Satisfying consumers’ demands can come at high costs and may pose reputational risks. By communicating the entire truth consumers can receive a negative impression of the corporation such as by explaining worse-case scenarios arousing fear about the crisis situation (Seeger, 2006; Heath, 2006). This could create panic among consumers which implies that corporations might lose control of consumers’ reactions, posing a reputational threat (Seeger, 2006).

Further, an apology is the most expensive crisis response strategy as it implies to accept full responsibility for the product harm. In fact, with an apology, a corporation risks not only financial losses through compensation but can also be involved in lawsuits, in which the apology serves as evidence for the corporations’ responsibility (Coombs & Holladay, 2008). Moreover, providing full apology and compensation can appear as an overreaction in certain situations. This can have a boomerang effect on corporate reputation (Coombs & Holladay, 2007). Consequently, fulfilling participants’ high expectations of ethical behavior can imply reputational damage and financial losses for corporations. This exhibits that the desires of corporations and consumers are hard to resolve.

In a recall situation, corporations could consider employing other accommodative, similarly effective but less expensive strategies than an apology, such as the sympathy response or compensation (Coombs & Holladay, 2008). After all, corporations must carefully weigh off in each specific product recall situation to what extent corporations’ perceived ethical behavior and a *stealing thunder* strategy justify the costs and the reputational threat. Yet, one can state that striving for an honest, open and transparent behavior during a crisis situation is a fundamental requirement of crisis communication (Seeger, 2006). In any case, the findings suggest that providing precise information quickly during a recall, demonstrating sympathy and leaving as few as possible uncertainties may best reconcile the two conflicting points of views. One can

argue that such a communication strategy during a recall has the potential to enhance corporate reputation. Besides, another highly effective strategy could be CSR, which the following section will turn to.

c) Product recalls as part of a CSR agenda?

The results of the group discussions suggested that consumers valued honesty and openness during a recall, which is according to Dubbink et al. (2008) demonstrated by a corporation's transparency. The latter is not only an integral part of CSR but also serves as a necessary condition for corporations to implement CSR. CSR, as introduced in the literature review above refers to a multi-dimensional and highly debated concept (Cheah et al., 2007). This study takes the perspective of Mele & Garriga (2004). In this regard, CSR entails a corporation's strive for long-term wealth creation, its respect for social demands and promotion of ethical values in its actions (Mele & Garriga, 2004). Likewise, scholars also describe CSR as "the character of the company, usually with regard to important societal issues" (Brown & Dacin, 1997, p. 70, as cited in Sohn & Lariscy, 2012, p. 6). Previous research established the positive effect of corporations' engagement in CSR on perceived prior reputation. The findings of this study confirmed that a positive prior reputation can protect corporate reputation during a product recall (de Matos & Rossi, 2007; Klein & Dawar, 2004; Minor & Morgan, 2011). In turn, consumers may associate the corporations' previous efforts in CSR during a recall. Such priming and framing plays a role in developing a judgment about the corporation. Therefore a long-term devotion to CSR can benefit corporations during a recall (Chang & Chang, 2014; de Matos & Rossi, 2007; Minor & Morgan, 2011).

Moreover, the findings proposed that participants valued corporations' display of honesty, openness and responsibility for their actions during a recall. As CSR itself indicates, responsibility is fundamental to CSR (Dubbink et al., 2008). This suggests that participants not only desire high ethical standards in corporate behavior but also a devotion to CSR during a recall, which is supported by prior research (Chang & Chang, 2014; Du et al., 2010). Consequently, CSR has a twofold positive effect: A long-term adherence to CSR before the recall can contribute to a positive reputation that limits reputational harm during a recall. Secondly, following CSR during a recall by employing transparency and ethical communication can even enhance corporate reputation.

In this regard, product recalls and CSR are strongly interlinked and one could even acknowledge a product recall as an expression of CSR. Accordingly, a recall would not present an exceptional crisis situation but express the corporation's long term approach to social responsibility and customer care. If a corporation would continuously live up to CSR during a recall as it did before the recall, the corporation could be perceived as credible and reliable in its customer care (Du et al., 2010). In this sense the commitment to CSR would hardly be perceived as differing from its past actions or mere window dressing. Considering a product recall as part of a CSR strategy, the corporation would recall a product once it noticed a problem and display responsibility (Arpan & Roskos-Ewoldsen, 2005). Hereby, it would employ the self-disclosure strategy *stealing thunder* outlined above, which has positive effects for corporations' credibility and reputation (Arpan & Roskos-Ewoldsen, 2005). This would be in contrast to the strategy chosen by GM which failed to react towards product harm and faced severe reputational damage. Here, GM did not recognize a defect of an ignition switch for more than a decade, causing several deaths (Bennett, 2014).

However, for some situations scholars warn of the potential flipside of employing CSR during a crisis, such as a recall (Coombs & Holladay, 2007). The case of BP's oil spill illustrated that if the communicated CSR efforts diverge from the actions of the corporation, addressing a crisis with CSR might backfire (Matejek & Gössling, 2014). Also, if corporations do not communicate their own motives with respect to CSR, a boomerang effect may occur, which could trigger consumer skepticism and threaten the corporation's credibility (Du et al., 2010). Besides, since CSR strongly depends on the perceived similarity between a social issue and the corporation's activities, low-fit initiatives can negatively impact consumer attitudes towards corporations (Becker-Olsen et al., 2006; Du et al., 2010). In light of the possible costs and risks of adhering to CSR, corporations need to evaluate carefully whether the reputational benefits of promoting a product recall as part of its CSR agenda are strong enough. Similar to the discussion of ethical behavior, the corporation has to weigh off the costs of adhering to CSR during a recall with its benefits in each case. In essence, this shows that if played right, a well communicated product recall could be an opportunity for perceived corporate reputation among German consumers.

d) Generational differences among consumer perceptions

The findings of this research relied on four focus groups with German participants of two generations, the millennials and generation X. The question arises whether corporations might achieve greater reputational benefits by adapting their strategy to the generational differences. Considering the results of the questionnaire, a discrepancy can be observed. Among all participants who received the forced recall scenario, millennials had a relatively more positive perception of *Bona* than participants of generation X. Yet, in team “voluntary”, consumer reactions towards *Bona* among the two generations did not show a clear pattern. In light of the positive reaction of all participants towards *Bona*'s press statement, the discrepancy in team “forced” might exhibit that millennials are more easily influenced than participants of generation X. At the same time, the findings suggest that participants of generation X react more sceptically towards a forced recall. As outlined above, this was for example illustrated by a participant of generation X who called customer care mere “window dressing” (*Participant no. 2 in focus group 4*)⁴⁹. Consequently, one can argue that corporate communication, as exhibited by *Bona*'s press statement, has a greater effect on millennials than on participants of generation X. Possibly, participants of generation X have higher expectations towards a corporation during a recall as they have longer experiences with corporations. Even though this does not indicate whether corporations should approach varying generations differently during a recall, it does suggest that younger consumers can be influenced more easily. Thus, corporate communication addressing younger consumers can be more effective than if it addresses older consumers only. In any case, corporations should actively engage in corporate communication during a recall to protect their reputation.

Further, the focus group discussions suggested another discrepancy among the two generations. Transparency was brought up as a topic and emphasized in focus groups which consisted of millennials, while it was hardly an influential topic in the two focus groups with participants of generation X. This suggests that in Germany, rather millennials desired corporations to act transparently. The impression might strongly be interlinked with the cultural context of the German participants. Additionally, previous international research found that millennials and the generation X differ significantly in their attitudes, preferences and priorities

⁴⁹ Focus group 4 consisted of consumers of generation X and took place near Münster, Germany.

towards corporate behavior (Williams & Page, 2011; Sujansky & Ferri-Reed, 2009; Arsenault, 2004). Various studies established that especially millennials favor corporations to act openly and honestly (Williams & Page, 2011). Moreover they highly prefer corporations embracing transparency (McCorkindale et al., 2013; McGlone et al., 2011). Also, the difference could be explained by the diverging educational backgrounds between the groups. While participants in the millennial groups were all students, few of the participants of generation X had an academic background.

In contrast, several views and opinions were shared among participants across all focus groups. An honest and open behavior, an apology and ethical communication of corporations during a recall were desired by all participants, regardless of the generation. In fact, participants of any age seemed to praise corporate behaviour respecting high moral standards. In light of these considerable similarities in consumer perceptions among both generations, one might argue that the discrepancies between the two generations are small. In isolation, such line of reasoning would advocate that corporations should refrain from differentiating among generations. However, one must acknowledge the strong effect of the German cultural context on participants' perceptions. It merits future research on the utility gains with respect to a differentiated communication approach. Such research could highly benefit from the observations of this study on generational differences in Germany and build its methodology accordingly.

e) Conclusion

This focus group study considered product recalls as an opportunity for - instead of a threat to - corporate reputation. In this regard, it took a modern perspective to product recalls. Specifically, the research analyzed how product recalls affect consumer perception with respect to corporate reputation. To do so, several focus groups were conducted. In the discussions, participants' reactions ranged from perceiving a recall as a sign of corporate mismanagement to a sign of honesty and responsibility. Hereby, the latter perception demonstrates the opportunities a recall can pose for corporate reputation. In this sense, the research sought to examine more specifically how and under which conditions a product recall could enhance perceived corporate reputation among consumers. The findings identified several conditions under which a corporation should (1) recall the product voluntarily and out of caution, (2) build a positive

reputation prior to the recall and (3) not be perceived as responsible for product harm. Also, (4) the product defect should be low. During the recall, the corporation should (5) apologize with regards to the problem, (6) use honest communication and (7) display transparency. Even though a few participants noted that a recall fulfilling these conditions might only confirm their perception of corporate reputation, the negative impact of the recall was clearly eliminated. Overall, a recall adhering to the outlined conditions can improve perceived corporate reputation among a subset of German consumers.

Despite the fact that this qualitative research is not generalizable and limited to Germany, the findings suggest a few pragmatic considerations for corporations to turn a product recall into an opportunity for corporate reputation. This study identified the considerable role of consumers' emotional relations towards a corporation or brand. Thus, corporations could benefit from investing into consumer relationships to build up a positive reputation before a recall. In this way, they could emphasize a small range of emotionally loaded features about the corporation and implement a long-term CSR agenda. In this way, a priming effect of positive prior experiences and associations can enable corporations to largely influence consumers' judgment of a corporation. In a situation of product harm, the corporation should recall the product voluntarily, act as early as possible and employ a *stealing thunder* strategy to show responsibility and protect customers. During the recall, the corporation should use ethical communication including an apology and adhere to CSR. After all, a product recall can be communicated as part of the corporation's long-term CSR strategy to generate reputational benefits in terms of credibility and responsibility. Hereby, a recall could positively influence corporate reputation as perceived by German consumers. Yet, due to the costs and risks of ethical behavior during a recall, corporations should carefully weigh off in each recall situation to what extent the reputational benefits justify the costs and a possible reputational threat. In light of a potential boomerang effect, corporations should also adapt the communication strategy during a recall to the specific situation and cultural context. As an apology might be too expensive in some situations the sympathy response or compensation could have a comparably positive effect on consumer perception. In any case, a corporation can achieve positive results in terms of corporate reputation by spreading concise information quickly during a recall and demonstrate sympathy with its customers.

Overall, the current research is limited by a few aspects which give rise to suggestions for further research. Generally, the study's method of focus groups proved to be highly adequate as

the discussions were fruitful and generated a vast amount of information. This qualitative approach to the research aim generated rich insights into personal perceptions of consumers in Germany. Yet, the sample of this research with 26 participants in total might be perceived as rather small. Thus, it would be interesting to observe in how far further research would reach similar results with a greater number of participants. Also, future studies could include the five generations existing in Germany instead of the two generations represented in this study. While participants of the millennial generation were all students only very few participants of generation X had an academic background. As outlined above, this might have influenced consumer perceptions of transparency. Therefore, future research could sample participants specifically to ensure a variety of educational backgrounds within the generations. Thirdly, the findings proposed that several similarities of consumer perceptions towards a recall rather overarch the differences among the generations. In this sense, future research could test statistically whether corporations would be better off by differentiating their corporate communication during a recall in Germany with regards to the generations or not. Finally, due to the limited scope of this research, the scenario at the beginning of the discussion could only include a small selected number of combinations of conditions of a recall. In future research, it will be valuable to examine whether comparable results with respect to *Bona* are observed when product harm incidents are severe, prior reputation is negative and different communication strategies are employed.

Besides, the results of this study might differ from a study examining participants' reactions towards a recall soon after they have been affected themselves. Here emotional factors might play a considerable role and impact their perceptions differently than the discussions in the focus groups have shown. Therefore, future research could supplement the specific findings of this study by examining participants' perceptions of corporations after they have been affected by a recall themselves. A mixed method study could thereby also statistically assess the impact of product recalls on German consumer perceptions on corporation's reputation.

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APPENDIX

Appendix 1 - Scenario of team “forced”

You are at a family reunion where many different topics are being discussed. Your aunt asks you if you have ever bought something from *Bona*, the store your neighbors work for and if you would recommend it. Before you answer, you reflect on what you know about *Bona*. Your neighbors proudly told you that customer satisfaction is high at *Bona* and that the store is frequently ranked among the leading retail stores for groceries. Also the store was praised as the best supermarket by consumers in 2014. Further, you are aware of the product recalls through your neighbors and know that *Bona* has never experienced a recall before. *Bona* was recently in the news because its *Sunny Garden* orange juice was said to have caused six French citizens to suffer from food poisoning. German media reported that after several complaints the German federal office of consumer protection and food safety ordered *Bona* to recall all *Sunny Garden* orange juices, produced in January 2015. *Bona* agreed to do this and released the following statement:

“We deeply apologize for the problem with the *Sunny Garden* orange juice and are doing our utmost to protect customers from the bacteria. We can state with clarity that the bacteria cannot cause any long-term harm or life-threatening conditions. We are offering the infected customers coverage of all medical expenses as well as a compensation fee. We are working very hard to identify how the juice became contaminated with the bacteria during the production process and immediately stopped collaborating with the producer of the juice. We offer all customers that have bought this product to return it to the store to receive the price paid plus a small compensation fee for the inconvenience. We can ensure that this will not happen ever again and are grateful for the trust our customers put in us every day. We will maintain highest safety standards in our products and are looking forward to satisfy the needs of our customers.”

Questionnaire of team “forced”

1) How did *Bona* handle the situation?

- 1) excellent 2) good 3) satisfactory 4) poor 5) very poor

2) To what extent do you agree to the following statement: “*Bona* was concerned with the well-being of its customers.”

- 1) strongly agree 2) agree 3) neutral 4) disagree 5) strongly disagree

3) To what extent would you buy from *Bona* after the product recall? How likely?

- 1) very likely 2) likely 3) not sure 4) rather not 5) not at all

4) To what extent do you agree to the following statement: “I trust *Bona* after the product recall.”

- 1) strongly agree 2) agree 3) neutral 4) disagree 5) strongly disagree

5) To what extent do you agree to the following statement: “*Bona* is basically honest.”

- 1) strongly agree 2) agree 3) neutral 4) disagree 5) strongly disagree

6) To what extent do you agree to the following statement: “*Bona*’s handling of the problem was appropriate.”

- 1) strongly agree 2) agree 3) neutral 4) disagree 5) strongly disagree

7) Would your perception of *Bona* differ, if they had a rather negative reputation in Germany before the recall?

- 1) This would not change my perception of *Bona* and my consumer behaviour after the product recall.
2) This would let me question my perception of *Bona* and would slightly change my consumer behaviour.
3) This would decrease my trust in *Bona* and I would avoid buying from *Bona*.
4) Through this I would not trust *Bona* at all and I would never buy from *Bona*.

8) In the example, *Bona* was forced to recall the orange juice. Which effect did this have on your perception of *Bona*?

- 1) This strongly fulfilled my expectations towards *Bona* and therefore improved my perception of *Bona*.
2) This fulfilled my expectations towards *Bona* and did not change my perception of *Bona*.
3) This did not fulfil my expectations towards *Bona* and slightly decreased my perception of *Bona*.
4) This strongly failed to fulfil my expectations towards *Bona* and strongly decreased my perception of *Bona*.

9) Would your response be different if Bona would have recalled the product voluntarily? This would....my perception of Bona.

1) improve 2) slightly improve 3) not change 4) slightly worsen 5) worsen

10) To what extent do you agree to the following statement: “A product recall has negative outcomes for a company.”

1) Strongly agree 2) agree 3) neutral 4) disagree 5) strongly disagree

11) If you heard about a company that recalled its product, which of the following considerations would be most important in your assessment of the situation (1= most important, 4 = least important)

- The firm had a good reputation before the recall.
- Media reporting focused on the firm’s positive handling of the problem with the product.
- The firm was not responsible for the problem with the product.
- The recalled product did not cause serious harm to consumer well-being.

Appendix 2 - Scenario of team “voluntary”

You are at a family reunion where many different topics are being discussed. Your aunt asks you if you have ever bought something from *Bona*, the store your neighbors work for and if you would recommend it. Before you answer, you reflect on what you know about *Bona*. Your neighbors proudly told you that customer satisfaction is high at *Bona* and that the store is frequently ranked among the leading retail stores for groceries. Also the store was praised as the best supermarket by consumers in 2014. You are also aware of the product recalls because your neighbors told you about it and know that *Bona* has never experienced a recall before. *Bona* recently noticed that the *Sunny Garden* orange juice produced in January 2015 contained bacteria that could cause a food poisoning with gastro duodenal disorders. So far no incidents of an infection of any customers are known. Yet, to protect its customers, *Bona* recalled the product and released the following statement:

“We deeply apologize for the problem with the *Sunny Garden* orange juices and are doing our utmost to protect customers from the bacteria. We can state with clarity that the bacteria cannot cause any long-term harm or life-threatening conditions. We are offering the infected customers coverage of all medical expenses as well as a compensation fee. We are working very hard to identify how the juice became contaminated with the bacteria during the production process and immediately stopped collaborating with the producer of the juice. We offer all customers that have bought this product to return it to the store to receive the price paid plus a small compensation fee for the inconvenience. We can ensure that this will not happen ever again and are grateful for the trust our customers put in us every day. We will maintain highest safety standards in our products and are looking forward to satisfy the needs of our customers.”

Questionnaire of team “voluntary”

1) How did *Bona* handle the situation?

- 1) excellent 2) good 3) satisfactory 4) poor 5) very poor

2) To what extent do you agree to the following statement: “*Bona* was concerned with the well-being of its customers.”

- 1) strongly agree 2) agree 3) neutral 4) disagree 5) strongly disagree

3) To what extent would you buy from *Bona* after the product recall? How likely?

- 1) very likely 2) likely 3) not sure 4) rather not 5) not at all

4) To what extent do you agree to the following statement: “I trust *Bona* after the product recall.”

- 1) strongly agree 2) agree 3) neutral 4) disagree 5) strongly disagree

5) To what extent do you agree to the following statement: “*Bona* is basically honest.”

- 1) strongly agree 2) agree 3) neutral 4) disagree 5) strongly disagree

6) To what extent do you agree to the following statement: “*Bona*’s handling of the problem was appropriate.”

- 1) strongly agree 2) agree 3) neutral 4) disagree 5) strongly disagree

7) Would your perception of *Bona* differ, if they had a rather negative reputation in Germany before the recall?

- 1) This would not change my perception of *Bona* and my consumer behaviour after the product recall.
2) This would let me question my perception of *Bona* and would slightly change my consumer behaviour.
3) This would decrease my trust in *Bona* and I would avoid buying from *Bona*.
4) Through this I would not trust *Bona* at all and I would never buy from *Bona*.

8) In the example, *Bona* released a voluntary product recall when noticing the bacteria in the juice. Which effect did this have on your perception of *Bona*?

- 1) This strongly fulfilled my expectations towards *Bona* and therefore improved my perception of *Bona*.
2) This fulfilled my expectations towards *Bona* and did not change my perception of *Bona*.
3) This did not fulfil my expectations towards *Bona* and slightly decreased my perception of *Bona*.
4) This strongly failed to fulfil my expectations towards *Bona* and strongly decreased my perception of *Bona*.

9) Would your response be different if Bona would have been forced to recall the product? This would....my perception of Bona.

- 1) improve 2) slightly improve 3) not change 4) slightly worsen 5) worsen

10) To what extent do you agree to the following statement: “A product recall has negative outcomes for a company.”

- 1) strongly agree 2) agree 3) neutral 4) disagree 5) strongly disagree

11) If you heard about a company that recalled its product, which of the following conditions/considerations would be most important in your assessment of the situation (1= most important, 4 = least important)

- The firm had a good reputation before the recall.
- Media reporting focused on the firm’s positive handling of the problem with the product.
- The firm was not responsible for the problem with the product.
- The recalled product did not cause serious harm to consumer well-being.

Appendix 3 - Discussion Guide

- 1) When you think of a product recall, what is the first response that comes to your mind?
- 2) What is a product recall that you can think of? How did it affect you? Tell me about your perception of the brand before and after the recall.

Affecting factors

a) Prior reputation

- 3) How important was *Bona's* reputation before the recall for your perception of *Bona* after the recall?
- 4) Would your perception differ if prior reputation would have been negative?

b) Perceived crisis responsibility

- 5) To what extent did you consider *Bona* as responsible for the bacteria in the juice? How did this shape your perception of *Bona*?
- 6) If you think about a voluntary recall in which the corporation or brand would not be responsible for the crisis and would itself be a "victim" of the incident, how would this impact your perception of the brand? Could this improve your image of the brand?

c) Nature of the problem with the product

- 7) How did you perceive the danger of the bacteria in the juice, leading to the recall? To what extent was that important for your perception of *Bona* after the recall?
- 8) Do you think a more dangerous incident would shape your perception of the firm differently?

d) Nature of the recall

- 9) In which way would a forced recall shape your perception of the firm differently than a voluntary recall?

e) Type of action taken

- 10) What do you think is the effect of a product recall on a firm's reputation?
- 11) When, do you think, could a product recall be an advantage for a firm?
- 12) When thinking about a voluntary recall, would it improve your image of the brand if the brand would offer a compensation fee, free samples of other products and show how to prevent any future occurrence of product harm? What would the effect of these actions be on your perception of the brand?

f) External effects

- 13) To what extent was media reporting on the product recall in the case of *Bona* important for you?
- 14) To what extent could media reporting generally shape your perception of a brand during a product recall?

Others

- 15) To what extent would you consider your perception as caused by German culture?
- 16) Is there anything we have not covered so far and you would like to discuss? Do you have any further remarks, comments or ideas?

Appendix 4 - Overview of focus group participants

In total, there were 26 German participants in four focus groups. Two focus groups consisted of millennials and two focus groups consisted of participants of generation X.

Focus group 1

Number of participants: Six participants, including one man and five women
Age: Participants of generation X, between 49 and 55 years old
Level of education: Professional training
Place of residence: One participant lives in Warendorf and five participants live in Beelen, Germany

Focus group 2

Number of participants: Seven participants, including two men and five women
Age: Millennials, between 20 and 23 years old
Level of education: Undergraduates
Place of residence: Mainz, Germany

Focus group 3

Number of participants: Six participants, including two men and four women
Age: Millennials, between 20 and 25 years old
Level of education: Undergraduates
Place of residence: Rotterdam, Netherlands

Focus group 4

Number of participants: Seven participants, including seven women
Age: Participants of generation X, between 36 and 55 years old
Level of education: Professional training
Place of residence: Beelen, Germany