Erasmus School of Economics

MSc in Economics and Business

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# **Brand Misconduct:**
# the importance of the timing of reaction

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# Table of Contents

# INTRODUCTION

Brand misconduct is an extremely sensitive issue for all companies in any business since every brand is likely to face situations such as brand-threatening crises or ethical, social, and business issues at some point in its activity. Data shows that these crises are impacting an increasing number of businesses. The number of Forbes 100 companies featured in a crisis increased by 80% in the last ten years compared to the prior decade, and the amount paid by companies for regulatory infringements is estimated to be more than $100 billion globally (Kalavar & Mysore, 2017). This trend has been associated with increased media exposure, globalization, and an increased public interest in the ethics of companies. Many relevant pieces of research have analysed his (negative) impact and reflections on brand, market share, sales. Nevertheless, a few aspects of these misconducts seem to not have been investigated yet.

Brand misconduct refers to a brand owner's acts that significantly fall short of consumers' expectations of the brand, resulting in a significant public impact and frequently negative consumer responses to the brand (Huber et al., 2009). Brand misconduct can include product and service flaws, as well as acts that are socially or ethically questionable (Huber et al., 2009). The available literature on these themes relates many brand elements that affect the relationship between the brand and the individual (Aaker, 1996). Most of the literature agrees that topics related to brand misconduct can have “profound consequences for brand equity” (Dawar and Pittula, 2000).

As we previously mentioned, brand misconduct can assume multiple forms, such as product harm crisis, Social Corporate Responsibility (SCR) issues, huge employee layoffs and so on. Product harm crisis are widely reported incidents which occur when products are discovered to be faulty or even harmful (Dawar and Pillutla, 2000); these crises can destroy long-held positive quality perceptions, degrade a company's reputation, result in significant revenue and market-share losses, necessitate costly product recalls, and demolish a carefully built brand equity (Van Heerde et al., 2007).

Relating to brand misconduct, one aspect that seemed to be overlooked by previous literature is the timing of response to reputational crisis. Past examples such as the Tylenol murders ‘case shows how important it is to promptly react when an unexpected, dramatic event such as accidental consumer poisoning occurs. In 1982, Johnson & Johnson (Tylenol’s producer) faced massive accusations when a number of deaths by poisoning from drug tampering happened in the Chicago metropolitan area in 1982. All the seven victims took Tylenol-branded acetaminophen capsules injected with potassium cyanide, an extremely toxic substance. With a swift and well-organized campaign, Johnson & Johnson sent millions of messages to doctors, journalists, and pharmacists through television, radio, and newspapers, inviting anyone with a box of Tylenol to return it; they also created a toll-free number to offer any necessary explanation on the matter. At the same time, the company launched an internal investigation to assess the responsibility of the poisoning and created a new tamper-proof composition for Tylenol. Six weeks after the withdrawal of the old drug from the market, they announced its new release, illustrating the technical innovations by means of a videoconference, complete with journalists present with the opportunity to question the speakers. Within a few months, Tylenol recovered by seventy percent on its market share, which had dropped to thirteen during the moment of maximum crisis, arising in a few years to ninety-eight percent. Therefore, it is fair to state that the quicker a company act to solve a crisis, the more it will be able to mitigate damages, to recover from the crisis and to bounce back harder than before. (Markel, 2014).

When the news relating to a disgraceful act by an employee or a manager of a firm comes out, this may be due to only two circumstances: the company itself officially announces the fact (through statements or press releases to the official channels) , or an external entity (such as an investigation by the authorities, a journalistic discovery, a confession by the people involved and so on) is responsible for spreading the news. Nevertheless, regarding reputational crisis situations, it is still unanswered whether an official announcement by the firm itself before the misconduct news is made public through external entities can mitigate the effects of brand misconduct on brand-related elements more effectively than a post-crisis reaction, since there is no substantial literature on the theme. The implication that this thesis aims to prove is based on the hypothesis that customer might prefer to hear the bad news by the company itself, with the latter taking responsibility and promising to take immediate action and solve the unfortunate situation, rather than hearing it from an external entity first. Therefore, the main goal of this thesis is to investigate, in case of a brand misconduct, whether a company should adopt an “anticipation” strategy, rather than a “reaction” strategy, in order to mitigate the loss in terms of brand equity and purchase intention, two of the main elements that are crucial for the past, the present and the future of a company. The “anticipation” strategy consists in anticipating external entities (such as journalists, newspapers, press, TV news & programs and every other information channel) in the announcement of the discovery of the internal misconduct to the public, while the “reaction” strategy consist in a late response to the public after an entity (as the ones we already cited) has discovered and announced the misconduct before the company itself.

Furthermore, previous literature generally supports that brand misconduct, in each of its forms, can have detrimental effects for each asset of the company, such as stock price, sales, brand image, reputation, relationship and many more elements (Pruitt & Peterson, 1985; Siomkos & Kurzbard, 1994; Klein et al., 2004; Davies et al., 2003; Huber et al., 2008). Studies in this field also point out perceived gravity of the misconduct (aka, perceived egregiousness) as a key element in the relationship with brand misconduct and its consequences. In fact, brand misconduct has been found to lead to brand boycott, with varying degrees of intensity depending on the perceived egregiousness of the act (. Although there is a rich research stream on brand misconduct, a disproportionate amount of research focuses on the general effects of broad brand misconduct events, without considering the level of perceived gravity of the misconduct itself. In fact, there are only a few studies that concentrate on perceived egregiousness of consumers and its consequences on a company's assets. Therefore, of the goal of this thesis is to fill this gap by analysing the role that perceived egregiousness plays between timing of reaction to a misconduct and brand equity (hence, the elements that brand equity is made of), as well as purchase intention, which is the most direct way to assess the willingness to pay of consumers.

Furthermore, academic literature has stated that an appropriate response to a misconduct appear to reduce the perceived egregiousness of consumers (Klein et al., 2004). Hence, when a company crisis is ongoing, it appears that firm response, when perceived credible, can diminish perceived egregiousness. Nevertheless, no researchers have ever examined the role of response credibility in affecting the relationship between perceived egregiousness and purchase intention, as well as brand equity. Therefore, another goal of this thesis is to fill this gap by further digging into this theme through the following research.

# LITERATURE REVIEW

## 1. BRAND EQUITY

This section will go through the whole set of elements that forms brand equity. This is necessary for the reader to fully understand the concepts covered in this thesis, to understand the mechanisms that connect them to each other and to know the consequences that they can have on the elements mentioned, as well as to provide a general context of the topic to make this paper clear and smooth to read. More importantly, brand equity will be analysed in this thesis as one of the dependent variables in the study.  This section also will include brand trust and perceived value, two elements which are closely related to the main brand equity set. Furthermore, research have shown that brand trust and perceived value have an impact on purchase intention (Dam, 2020; Calvo-Porral & Lévy-Mangin, 2017; Hsieh, 2016; Hu, 2011), which is one of the elements being investigated in this thesis.

Aaker (1996) defines brand equity as a set of assets (and liabilities) linked to a brand’s name and symbol that adds (or subtracts from) the value provided by a product or service to a firm and that firm's customer. The primary asset categories are

- Brand awareness
- Brand loyalty
- Perceived quality
- Brand association

Research shows that brand equity (via brand awareness) can significantly influence purchase intention (Wong, 2012).

### 1.1. BRAND AWARENESS

Awareness refers to the strength of a brand’s presence in the consumer’s mind. It expresses itself through recognition (*Have you ever heard of this brand?*), recall (*What brands of this product class can you recall?*), “top of mind” (the first brand recall) and dominance, which refers to the only brand recalled. (Aaker, 1996). Brand awareness is a fundamental component of developing a strong brand; it is the reference point to which other brand associations can be attached. Brand awareness can express a commitment to the brand, ultimately leading to brand loyalty. It enhances and facilitates customers' interpretation of brand reputation and image; it provides mind easiness in the decisional process that leads to purchase decision, and it is the first step through which a potential customer enters in the marketing funnel (Aaker, 1996; Jansen and Schuster, 2011). Brand awareness positively affects purchase intention (Chi et al., 2009; Prasetia & Hidayat, 2021). Furthermore, when brand awareness is high, brand loyalty will also increase (Chi et al., 2009; Prasetia and Hidayat, 2021).

### 1.2. BRAND LOYALTY

Oliver (1997) defines brand loyalty as a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, resulting in repetitive same-brand or same-brand set purchasing despite situational influences and marketing efforts having the potential to cause switching behaviour. A high level of brand loyalty is one of the most challenging objectives that a company should pursue. It is crucial for reducing marketing costs, trade leverage and, most importantly, attracting new customers through positive word-of-mouth (WOM), positively related to high brand loyalty (Chuang et al., 2010). Brand loyalty is also important to create brand awareness and reassure the consumer when buying (Aaker, 1996). When a consumer trusts a brand, it positively affects brand loyalty through customer satisfaction (Liao et al., 2010). Brand loyalty has a positive effect on purchase intention (Prasetia and Hidayat, 2021).

## 1.3. PERCEIVED QUALITY

Perceived quality is a brand association that drives financial performance: it is one of the most important (if not the most important) strategic elements of a business; it is also closely related to brand perception and reputation (Aaker, 1996). Previous research has proven that, in e-commerce environments, website reputation influences perceived quality and purchase intention; at the same time, perceived value and website reputation influence consumer trust towards online e-commerce environments, which influences repurchase intention (Sullivan & Kim, 2018). In addition, perceived quality also positively affects brand loyalty (Prasetia and Hidayat, 2021).

## 1.4. BRAND ASSOCIATIONS and IDENTITY

Brand associations include product attributes, a celebrity spokesperson, or a particular symbol. Brand identity is the guidance of these associations. Aaker (1996) defines brand identity as what the organization wants the brand to stand for in the customer's mind. Therefore, a fundamental element of building a solid brand image is to deliver a strong and credible brand identity. Brand associations help retrieve information in the customer's mind, give reason to buy, create a positive brand attitude & brand feeling, and enable the company to develop brand extensions (Aaker, 1996). Brand associations positively affect purchase intention and brand loyalty (Prasetia and Hidayat, 2021).

## 1.5. BRAND TRUST

Garbarino and Johnson (1999) defined brand trust as consumers' confidence in the quality and trustworthiness of the products provided by the seller. Brand trust has also been defined as a purchaser's willingness to depend on the brand despite the uncertainty, based on the belief that the brand will deliver positive outcomes (Lau and Lee, 1999). Trust is one of the essential elements for a long-term and sustainable relationship. The concept of trust can be applied to any aspect of human life, whether work-related, academic, personal, economic, financial, political, etc. Aydin and Taskin (2014) proved that brand trust is vital in building individual relationships between customers and a brand (Aydin and Taskin, 2014). Researchers have indicated brand trust as a precursor of purchase intention (Aydin and Taskin, 2014). Many studies gave several definitions of brand trust over time. Chaudhuri and Holbrook (2001) stated that brand trust is the promptness to rely on the sense of the brand to deliver its declared goal. As earlier research shows, brand trust significantly influences brand preference and purchase intention (Dam, 2020). Furthermore, studies found that brand trust is one of the elements that directly affect brand loyalty (Vazifehdoost et al., 2014).

## 1.6. PERCEIVED VALUE

Perceived value has been defined as the price paid for the product/service (Kotler & Amstrong, 2016) and as the general consumers' evaluation of the product's benefits with the expense and the time they gave to the product (Philip & Hellier, 2003). As suggested by Pan and Kang (2017) and Zeithaml (1988), perceived value can assume four different forms:

1. Price: the value is the actual price of the product/service
2. The value is what you obtained for what you paid.

3. The quality/price ratio of the goods
4. An overall evaluation of the good/service based on a prefixed target through a subjective judgement, which was in turn based on a personal evaluation criterion.

Previous research proved that perceived value positively influences brand preference (Ebrahim et al., 2016, Hellier et al., 2003). Furthermore, perceived value has a positive influence on purchase intention (Calvo-Porral & Lévy-Mangin, 2017; Hsieh, 2016; Hu, 2011)

# 2. BRAND MISCONDUCT

## 2.1. DEFINITION AND FORMS OF MISCONDUCT

As we stated earlier, brand misconduct can be defined as an action(s) of a brand owner that heavily disappoints consumers' brand expectations, resulting in a strong public impact and negative consumer responses to the brand (Huber et al., 2009). There are several examples available that shows how worldwide famous brands often do not live up to consumer’s behavioural expectations, such as the 1990s Nike sweatshops scandal in Vietnam, which consisted in Nike contracting with factories that had their businesses in workplaces with illegal conditions, such as inadequate and unsafe work spaces, as well as a no break policy and minimum wage violation (Vietnam Labor Watch, 1997); another example is the outrage regarding Pfizer’s non-authorized child experiment of the drug Trovan in Kano, Nigeria in 1996 (Wise, 2001). Similar misbehaviour, known as a product-harm crisis, is defined as "discrete, well-publicized occurrences wherein products are found to be defective or dangerous” (Dawar and Pittula, 2000).

Huber et al. (2009) stated that there are four different types of brand misconduct:

1. Product quality differs from expectation: in the case which the company does not live up to its promises and standard and let customers down, it could undermine the consumer-brand relationship, especially if perceived risks, such as security risks, arise. An example could be the 1997 launch of Mercedes-Benz A-Class, which turned out to have disappointing performances during stress tests (Automotive News Europe, 2017).
2. Lack of service orientation: As per Berry and Parasuraman (1992), "brand misconduct can influence purchase decisions in customer service". A practical example is what happened with Ryanair in August 2008, when the low cost company denied its services to almost 1000 passengers a day by not accepting tickets bought through travel agencies. (The Register, 2008)
3. Symbolic-psychological misconduct: consumers attribute social and psychological value to brands (de Chernatony, 2010). For example, the 2015 Dieselgate, where Volkswagen was found guilty of programming its diesel engines to activate emission controls only during laboratory NOx emissions test to meet the required U.S. standard. (Parloff, 2018)
4. Socially debatable actions: "brand misconduct is often the result of a violation of consumers' ethical norms and moral values". In this case, it is appropriate to recall the already mentioned child-labour scandal related to Nike.

In particular, this thesis will focus on the fourth kind of brand misconduct, providing a similar scenario to the Nike scandal.

## 2.2. MISCONDUCT CONSEQUENCES

Brand misconduct, such as product harm crises, has been shown to have a detrimental impact on market share, recalled product sales, stock prices, purchase intentions, and sales of other firm items (Pruitt & Peterson, 1986; Siomkos & Kurzbard, 1994). Klein et al. (2004) describe how misconduct can lead to brand boycott, with different intensity depending on the egregiousness of the act; negative consequences of misconduct can cause severe damages to brand image and reputation (Davies et al., 2003), brand relationships (Huber et al., 200), customer-based equity (Dawar and Pittula,) and marketing effectiveness (Van Heerde et al., 2007). In most cases, negative word-of-mouth occurs after an act of misconduct (Smith & Cooper-Martin, 1997). Consequences of brand misconduct vary depending on the consumer groups' characteristics, such as level of brand involvement (Huber et al., 2009), cultural values (Laufer and Coombs, 2006), commitment (Ahluwalia et al., 2000), ethical ideologies, consumer idealism and relativism (Schmalz, 2015) as well as expectations (Dawar and Pillutla, 2000).

## 2.3. COMPANY REACTION and RESPONSE CREDIBILITY

A poll conducted in the U.S. in 2003 showed that 95% of the people interviewed "considered the cover-up of a crisis far worse than the crisis itself" (Hagi, 2003). Therefore, how a company acts after a crisis occurs is crucial to determining its recovery and survival. If a company can handle the crisis properly through a good communication strategy, it can regain what it lost in terms of brand equity and even increase its appreciation thanks to honesty (Aaker et al., 2004).

Many studies analysed possible appropriate reactions and responses to misconduct (see Dawar and Pillutla, 2000; Laufer and Coombs, 2006; Zhu et al., 2004).

Siomkos and Kurzbard (1994) examined the efficacy of four company response to a product harm crisis: 1) denial 2) unintentional recall 3) voluntary recall 4) super effort. Denial refers to a company's refusal of responsibility for an event; unintentional recall entails waiting for regulatory entities to force actions on the company; voluntary recall entails a company spontaneously offering to act (e.g., withdrawing the product from the market); and super effort entails a voluntary recall plus an overcompensation to make up for the accident (such as offering promotions, coupons, vouchers and discounts). According to the findings, both denial and forced compliance are likely to backfire. As a result, most of the time, businesses have just two options: voluntary recall or super effort. A super effort necessitates significantly more financial resources and exposes the organization to far higher reputational damage than a voluntary recall. As a result, the best method must be carefully chosen, considering significant contextual aspects such as the product's previous reputation and external effects.

Furthermore, Dean (2004) looked at how reputation, responsibility, and business reaction to a product harm crisis interacted. According to the findings, companies that respond to a crisis in an appropriate manner (fair, equitable, and just) are substantially more highly regarded than those that respond in an unsuitable manner (a mix of blame shifting and denial response). An inappropriate response was found to be useful for a company with a past negative reputation but harmful for a company with a prior positive reputation, implying that a company's reputation shapes expectations about how it should act in a crisis. As a result, adopting the best reaction approach is more critical for organizations with a good reputation than for companies with a bad one.

According to Diermeier (2011), there are three types of corporate responses to a crisis: defensive, no comment, and engaged. A defensive reaction involves contesting the allegations, demonstrating no empathy, and belittling the problem. Instead, a no comment strategy is self-explanatory and presupposes that a company is not going to comment on the allegations, typically in order to limit the firm's legal responsibility. Finally, an engaged response strategy involves a firm publicly expressing its apprehensions about the allegations, expressing empathy for all those directly impacted, and clearly and openly committing to investigate and assign responsibility. According to the author, an engaged response strategy reported more positive responses from the audience, and corporates that respond with a no comment are perceived to be attempting to reject blame and responsibility.

In general, companies should face crises transparently, using the right communication mix and ensuring that their customer base understands the purpose behind specific actions through public apologies and making amend appropriately.

Nevertheless, as said before, by analysing the relevant literature on this theme, it appears that there is no consistent literature that comes up regarding the impact of response credibility on the relationship between perceived egregiousness and purchase intention, as well as brand equity,. Therefore, this thesis proposes itself to investigate further to provide meaningful information to this field.

# 3. PERCEIVED EGREGIOUSNESS

The perceived egregiousness of a misconduct can be defined as the degree to which a company's act is perceived to be wrong (Park and Park, 2018). According to Klein et al. (2004), perceived egregiousness changes among different consumers, depending on the perception that consumers have of the act (Klein et al., 2004). Some of them will consider an act as deeply wrong, while others may not; the judgement of consumers is based on their perceptions and interpretation of the situation they witness. Perceived egregiousness has a positive influence on brand boycott: the more a consumer perceives an act as egregious, the more likely the consumer was to boycott the brand (Klein et al., 2004).

These findings are also confirmed by a recent study (Lasarov et al., 2021). Given "t0" as the moment when the boycott starts and "t1" as a later stage of the boycott, the study shows that perceived egregiousness will moderate the relationship between the initial boycott participation and participation in a future, second moment. In other words, the higher the perceived egregiousness at “t1” is, the stronger the influence of the initial boycott (t0) on later boycott participation (t1) will be. Therefore, perceived egregiousness is the main trigger of boycott participation: it represents the level of a boycotters’ anger (Klein et al., 2004).

Wang, Lee and Polonsky (2013) conducted a study to test whether an act considered as egregious led to decreases in some products ‘market sales; particularly, the study focused on the outcomes following the 2010 BP Deepwater Horizon oil spill. The results shown that BP stations’ relative retail price becomes smaller in response to the oil spill, and the decrease in BP stations’ relative price is smaller in the states located around the area of the incident than in other states, confirming the initial hypothesis.

Perceived egregiousness was also found to correctly predict the formation of a negative brand image (Klein et al., 2004). Furthermore, Klein et al. (2004) demonstrated that firm communications appear to diminish levels of perceived egregiousness of the misconduct. In addition to that, Klein et al. (2004) found that perceived egregiousness impacts the strength of negative reactions.

Nevertheless, no previous literature has ever investigated on the consequences of perceived gravity of the misconduct (perceived egregiousness) on purchase intention specifically, as well as brand equity. Therefore, as we previously mention, one of the objectives of this thesis is to analyse the impact of perceived egregiousness on purchase intention and brand equity.

# 4. PURCHASE INTENTION

Purchase intention refers to the reason for buying a particular brand by a consumer (Shah et al., 2012). It is defined as the situation where a consumer tends to buy a particular product under certain conditions (Morinez et al., 2007). Information about purchasing intention can support marketers through their process, providing relatable information for decisions related to new and existing goods, customer segmentation, and promotional plans (Tsiotsou, 2006). Customers purchase decisional process it is long and complex. Gupta et al. (2014) provides a framework to assess the process that leads to purchase intention. First, it states that consumers express their purchase intentions based on their utility maximization, considering the trade-off between costs and benefits provided by the firm. Therefore, the utility given by a brand should be higher than the one provided by a competitor for the consumer to choose that brand in the first place. Kotler (2003) explains that the consumer purchase-decision process is composed of five stages:

1. <u>Problem recognition</u>: the consumer recognizes a product or a need.
2. <u>Information search</u>: the consumer starts to search and gain information on the available products on the market, considering factors such as price and product features.
3. <u>Evaluation of product opinions</u>: this stage involves evaluating and confronting previously mentioned product attributes, such as brand, quality, price, and product features. During this stage, consumers will also evaluate the perceived risks associated with the product. Previous research has shown that perceived risk towards a product positively influences the decision of buying (or not buying) a product (Taylor, 1974; Bauer, 1960). Keller (2020) defines six types of product perceived risks:
    a. *Functional:* the product does not perform up to expectations
    b. *Physical:* the product poses a threat to the physical well-being or health of the user or others

c. *Financial:* the product is not worth the price paid

d. *Social:* the product results in embarrassment from others

e. *Psychological*: the product affects the mental well-being of the user

f. *Time:* the failure of the product results in an opportunity cost of finding another satisfactory product.

4. <u>Purchase decision</u>: the consumer purchase (or does not) the product itself.
5. <u>Post-purchase support</u>

Kotler (2003) proved that purchase intention is also affected by an individual’s perception. Previous studies have shown that price is an important variable, but other variables such as product and service quality are essential in the process of customers' purchase decisions (Giovanis et al., 2013).

# THEORETICAL FRAMEWORK

## 1. CONCEPTUAL MODEL AND HYPOTHESES

The present study will analyse the impact of timing of response (which can be an anticipation, meaning that it is the company itself to announce the misconduct before any external entities, or reaction, therefore a response to the announcement of the misconduct by an external entity. Even though they appear to be closely related, since brand equity affects purchase intention (Wong, 2012), the effect of timing of response to the misconduct has not been tested on the two elements separated. Brand equity and purchase intention were chosen as dependent variable. The choice was due to the fact that these variables represent the set of intangible assets of a company (brand equity), which then have a heavy influence on the economic and financial performance of a firm, and the direct reflection of consumer choices (purchase intention) on what it is the first KPI of a company's performance: sales. Furthermore, this study considers two other variables that seems to have been underestimated by previous literature: response credibility and perceived egregiousness of the misconduct. Most of the time, the first variable is a direct consequences of the choice operated by a company, depending on which kind of response the firm, while egregiousness is a consequence of the perceived gravity of the misconduct by consumers. The study will be operationalised through a reputational crisis scenario, which serves as the ground basis for the misconduct by the brand.

Previous research investigated various corporate response strategies (Dean, 2004; Siomkos & Kurzbard, 1994). Such responses, however, are primarily reflective of product harm scenarios (such as whether to recall a product) and therefore do not offer any real valuable insights for any other type of reputational crisis, such as the one described in the proposed scenario for this study. Diermier (2011) stated that an engaged response strategy reported more positive responses from the audience, while corporates that responded with a no comment were perceived to be attempting to reject blame and responsibility. Therefore, to test the following hypothesis, this study will be operationalized by presenting a scenario of reputational crisis where the company adopts an engaged response strategy to maximize the effects of the timing of response and response credibility and limiting the effects of a possible flaw in the response strategy. Based on the existent literature that states that the act of hiding a crisis by a company is thought to be even worse of the crisis itself (Hagi, 2003), it is presumable that customers would prefer a company which directly speaks up about events that happened through a public announcement rather than a late reaction when exposed by external entities; hence, I presume that:

**H1a: If the company anticipates an external entity (such as journalists, TV news or press) in announcing that a misconduct has taken place inside the company, it will lead to a higher perception of brand equity than in the case of a reaction to the announcement after the misconduct has already become public through external entities.**

Likewise, the same pattern of impact applies to purchase intention, which is the other variable that will be tested in this study.

**H1b: If the company anticipates an entity (such as journalists, TV news or press) in announcing that a misconduct has taken place inside the company, it will lead to a higher purchase intention than in the case of a reaction to the announcement after the misconduct has already become public through external entities.**

Academic literature appears to agree that the perceived gravity of the act varies depending on the consumer's perception of the act (Klein et al., 2004). Nevertheless, it seems that previous research has not ever tried to test the impact that perceived egregiousness has on the relationship between timing of reaction to a misconduct and brand equity, as well as purchase intention, which are fundamental assets for every company. Pivotal publications such as Huber et al. (2009) do not consider perceived egregiousness at all. At the same time, past research has shown that corporations, that respond appropriately to a crisis, are significantly more acclaimed than those that respond inappropriately (Dean, 2004). Therefore, response credibility has been proven to influence the outcome of the crisis-exit strategy of a company. It is fair to state that if the company does not elaborate a believable response when addressing an act of misconduct made by its own employee(s), it will negatively influence the perceived egregiousness of consumers, therefore harming intangible and tangible assets of the company, including purchase intention and brand equity.  Therefore, I propose the following:

**H2a: Response credibility moderates the role of perceived egregiousness in the relationship between the timing of reaction to a misconduct and brand equity.**

Consequently, the timing of reaction of a company when discovering a misconduct (anticipating an external entity in the announcement of the misconduct or reacting to an announcement made by the external entity) should influence the perceived egregiousness of the individual, while the effect of perceived egregiousness on brand equity is moderated by response credibility.

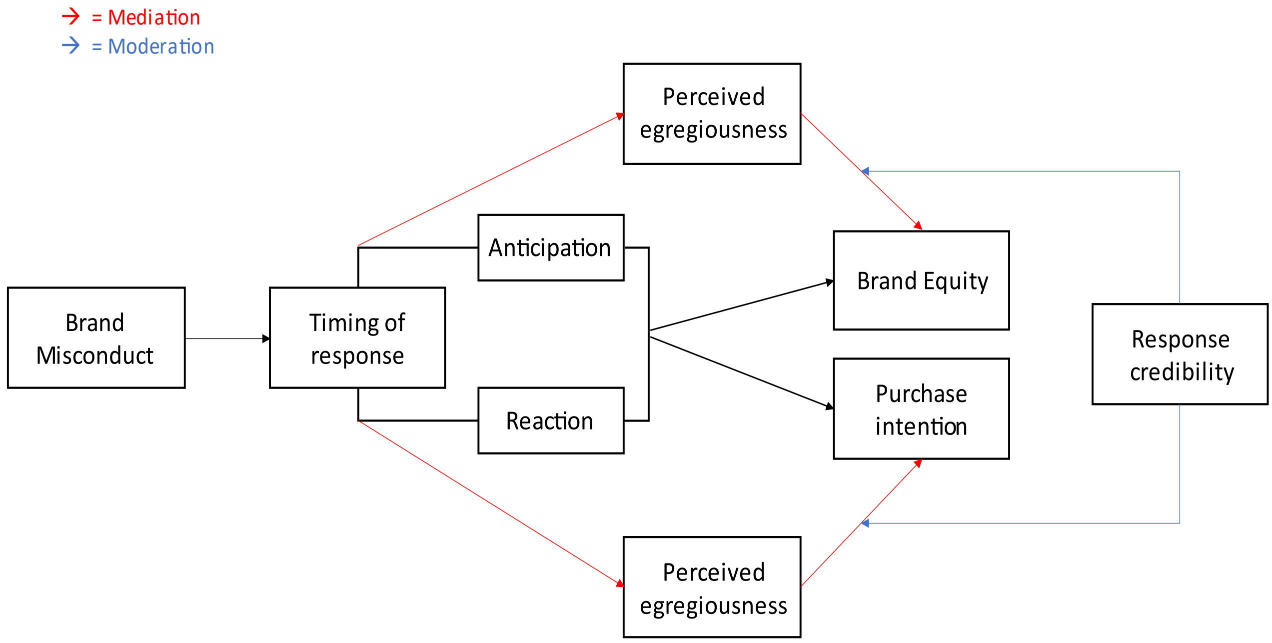
The same mechanism should apply when instead of brand equity, we consider purchase intention:

**H2b**: **Response credibility moderates the role of perceived egregiousness in the relationship between the timing of reaction to a misconduct and purchase intention.**

Consequently, the timing of reaction of a company when discovering a misconduct (anticipating an external entity in the announcement of the misconduct or reacting to an announcement made by and external entity) should influence the perceived egregiousness of the individual, while the effect of perceived egregiousness on purchase intention is moderated by response credibility.

Figure 1 shows a schematic representation of the theoretical framework and the proposed variable relationship. The figure can also be found in Appendix 1. The following chapter will go over the experimental setup as well as the method for testing hypotheses.

*Figure 1:Variable Scheme*



# 2. INDEPENDENT VARIABLES

## A. BRAND MISONDUCT

Brand misconduct was manipulated following the pattern traced by previous literature (Huber et.al, 2009).

To evaluate the hypotheses, Huber et al. (2009) created a realistic before-and-after situation scenario of fictitious brand misconduct of a particular brand, which was called “Brand X”. Huber et al. (2009) tested the scenario’s appropriateness was tested in two stages. The first part consisted in qualitative interviews with 20 German consumers, which provided data for the development of a realistic and detailed scenario. A randomized sample of respondents assured those respondents have no special interest in the research field or product category. Second, a pre – test with another 30 research subjects validated the scenario’s suitability. According to the findings, consumers consider the described scenario to be serious brand misconduct.

In particular, the scenario for presenting the grave brand misconduct was presented as the following:

> *You’ve just purchased a pair of your favourite brand’s jeans (Brand X). While drinking coffee after shopping, you come across an article in a magazine stating that some jeans brands manufacture their products in countries with extremely low wages, even using child labour in South Asia. The article also includes a photograph of very young female workers producing jeans on very old machines. As you read the caption, you discover that this photograph was taken in a production plant run by your favourite jeans brand (Brand X).*

### B. TIMING OF REACTION TO THE MISCONDUCT

This variable was operationalized by following previous literature's example (Viola, 2018), presenting a scenario clarification, followed by a press statement by the company to defend itself from the accusations of misconduct presented through the first variable, perceived egregiousness. In the anticipation condition, the press release was made in such a way that the company itself was the one to announce the unfortunate news to its stakeholders before any external entity. The scenario and press release were presented as following:

> *After reading the article, you decide to look for more information. <u>You find that it was the company's management that discovered the work condition violations and immediately released the following public statement by the CEO:</u> "Brand X is deeply saddened by this news. These working conditions are vile and disgusting. They contradict everything Brand X stands for and believes in. We will conduct an urgent internal inquiry to assess responsibilities, and any employee found responsible, regardless of hierarchy or job performance, will face a zero-tolerance policy. We strive to make Brand X a just, safe, and respectful workplace for all employees. There is no excuse for such incidents in this company. Employees at Brand X deserve a workplace where human rights are respected."*

In contrast, in the reaction condition, the press release was made in such a way that the company was reacting to an announcement made by external entity about the misconduct taking place inside the company. The scenario and the following press statement was described as following:

> *After reading the article, you decide to look for more information. <u>You find out that these accusations were made public by a TV program</u>*

*investigation.*

*The company responded through the following public press release by the CEO: "Brand X is deeply saddened by this news. These working conditions are vile and disgusting. They contradict everything Brand X stands for and believes in. We will conduct an urgent internal inquiry to assess responsibilities, and any employee found responsible, regardless of hierarchy or job performance, will face a zero-tolerance policy. We strive to make Brand X a just, safe, and respectful workplace for all employees. There is no excuse for such incidents in this company. Employees at Brand X deserve a workplace where human rights are respected."*

## 3. DEPENDENT VARIABLES

Brand equity was assessed using a 9-item Likert scale that captured dimensions of brand equity and purchase intention that have been widely accepted in the literature (Aaker, 1991; Keller, 1993; Dawar & Pillutla, 2000). The question composing each measure were taken by Viola (2018). Brand attitude and brand trust were measured using three 5-point scales (strongly disagree – strongly agree), while perceived quality was measured using two scales, one focusing on product quality and one on overall brand quality (strongly disagree – strongly agree). Lastly, purchase intention was assessed using a 4-item, 5-point Likert scale, going from strongly disagree to strongly agree. The exact questions can be found in Appendix 10.

## 4. MEDIATING VARIABLE: PERCEIVED EGREGIOUSNESS

To measure perceived egregiousness, consumers were asked a question to rate their perceived gravity of the finding on a 5-point Likert scale going from 1 ("Totally disapprove”) to 7 (“Totally approve”) by answering the question: “*To what extent do you approve Brand X's actions?*”

## 5. MODERATING VARIABLE: RESPONSE CREDIBILITY

Response credibility was measured through a three item, 5-point Likert scales, where respondents were asked to rate their perceived credibility of the response elaborated by Brand X’s management. The exact questions can be found in Appendix 10.

## 6. METHODOLOGY

To test the hypothesis proposed in this thesis, a 2 (timing of reaction: anticipation and reaction) X 2 (purchase intention, brand equity) between-subject design will be implemented. The experiment will be administered through an online survey and the analysis method will be an independent t-test. This study will include a moderated mediation analysis by making use of Process, v. 4.0. The moderated mediation analysis will be implemented through the bootstrapping method, which is theoretically preferable as recent literature suggest (Alfons et al., 2022; Van Crombrugge, 2021), with perceived egregiousness as the mediator between timing of response to the misconduct and both purchase intention and brand equity, ceteris paribus. The moderation will be operationalized with response credibility acting as the moderator of the relationship between perceived egregiousness and brand equity, as well as between perceived egregiousness and purchase intention, ceteris paribus.

# ANALYSIS AND RESULTS

## 1. SAMPLE DESCRIPTION

The survey was administered and distributed through an anonymous Qualtrics survey, with 249 total respondents completing the survey. 68 respondents had to be discarded due to either failing the manipulation check or not completing the survey, leaving 181 usable responses, or n = 40 valid participants per condition; by confronting these numbers with previous literature (Dawar & Pillutla, 2000; Huber et al., 2009; Johnson et al., 2018), it is fair to state that the sample collected is robust enough for the analysis conducted. The manipulation check worked quite efficiently, with a 91.22% correct response rate for the first question (scenario check) and a 94.67% correct response rate for the second question (misconduct check).

The demographics showed that, in terms of nationalities, the most represented country was Italy, with 99 participants, followed by The Netherlands (19 respondents) and The UK (10 respondents). The average valid participants age was 27.4 years, with a total of 50.26% male respondents and 49.74% female respondents. In terms of employment status, the largest portion of respondents were students (66.17%), followed by employees (24.38%). The level of education was mostly high, being predominantly composed of master students, which accounted for 38.3% of the total valid participants, followed by bachelor students 32.34% bachelor, 25.37% high school diploma.

## 2. DEPENDENT & MODERATING VARIABLES ANALYSIS

Three new variables called *brand equity*, *purchase intention* and *response credibility* were created through simple averages by calculating the mean for each of the respondents of all the items composing each variable. A reliability analysis was conducted for each measure composing brand equity, purchase intention, perceived egregiousness, and response credibility, in order to verify the internal consistency for each item in each measure. The reliability analysis shows a Cronbach Alpha >0.92 for brand equity, >0.86 for purchase intention, and >0.898 for response credibility. The tables for the reliability statistics and the inter-item correlation matrix can be found in the appendix (Appendix 3), as well as the descriptive statistics for each variable and item (Appendix 2).

# 3. HYPOTHESIS TESTING

## 3.1. ASSUMPTION VERIFICATION FOR INDIPENDENT T-TES

In order to proceed with the analysis, the independent t-test requires the verification of a series of assumptions. First of all, the dependent variable(s) should be measured on a continuous scale, while the independent variable should be categorical; both conditions are met, since the two dependent variables (*brand equity* and *purchase intention*) were registered through a Likert scale, and the independent variable (*anticipation*) was coded as a dummy variable, which can take only two values (1 for *anticipation*, 0 for *reaction*). Moving forward, the independence of observation assumption was reviewed. Since each participant was assigned to a single condition (*anticipation* or *reaction*) by branching respondents to the randomized condition through Qualtrics, this condition is indeed met (see Appendix 9 for the randomization and branching scheme). In addition to that, the independent t-test requires the dependent variable(s) to be normally distributed for each group of the independent variable. In order to check whether this requirement is met, a Shapiro-Wilk normality test was conducted for both the dependent variables (Appendix 5, Table A for *brand equity;* Appendix 6, Table A for *purchase intention*) as well as a double check through the visualization of the histogram for each variable to see whether the data was "bell-shaped", which generally indicates that it is indeed normally distributed

(Appendix 5, Figure 2 for *brand equity*, Appendix 6, Figure 1 for *purchase intention*). Lastly, homogeneity of variances was reviewed. The Levene's test for equality of variances shows a significance level of 0.220 for brand equity and 0.777 for purchase intention. In order to have homogeneity of variances, the significance level of the Levene's test should be bigger than 0.05. Therefore, since 0.220>0.05 and 0.777>0.05, there is homogeneity of variances. The results of the test can be seen in Appendix 4.

## 3.2. INDIPENDENT T-TEST ANALYSIS

To test the first two hypotheses, an independent t-test was implemented. The main findings can be seen in Table A below. The independent t-test compares data across several observation for two independent groups. In this case, the two groups were represented by one group of responded assigned to the "anticipation" condition and one group assigned to the "reaction" condition. As we already mentioned, the independent variable (*anticipation*) was coded as a dummy variable, taking a value of 1 in case the respondent was assigned to the "*anticipation*" condition, and a value of 0 in case the respondent was assigned to the "*reaction*" condition.

*Table A. Independent Samples Test*

| | | | Brand Equity | | Purchase Intention | |
|---|---|---|---|---|---|---|
| | | | Equal variances assumed | Equal variances not assumed | Equal variances assumed | Equal variances not assumed |
| Levene's Test for Equality of Variances | F | | 1,513 | | ,080 | |
| | Sig. | | ,220 | | ,777 | |
| t-test for Equality of Means | t | | 3,382 | 3,374 | 3,029 | 3,023 |
| | df | | 179 | 173,698 | 177 | 173,921 |
| | Significance | One-Sided p | <,001 | <,001 | ,001 | ,001 |
| | | Two-Sided p | ,001 | ,001 | ,003 | ,003 |
| | Mean Difference | | ,41863 | ,41863 | ,39412 | ,39412 |
| | Std. Error Difference | | ,12378 | ,12407 | ,13011 | ,13039 |
| | 95% Confidence Interval of the Difference | Lower | ,17439 | ,17376 | ,13735 | ,13676 |
| | | Upper | ,66288 | ,66351 | ,65088 | ,65147 |

As can be seen in Table A, the output that SPSS gives us contains quite a lot of data. First, SPSS performs the Levene's test for equality of variances, assuming a significance level of 5%. As we saw earlier, since the p value is bigger than 5% (0.222 for brand equity and 0.777 for purchase intention), we have no evidence to suggest that variances are not equal, hence we assume homogeneity of variances. Therefore, to interpret the results, we can use the first row of the outcome for each variable.

The second part of the output shows the results of the t-test for equality of means, which gives us the t-test value (t), the degrees of freedom (df), the significance level (one sided and two-sided p value), the mean difference and the standard error difference, as well as the 95% lower and upper confidence interval of difference. As we can see, the t-test statistics is a t with 179 degrees of freedom (which is the result of 181 observation, minus 2 means, which are represented by the "*anticipation*" and "*reaction*" condition). Given a 95% confidence interval, since p value is smaller than 0.05 for both variables (*brand equity* and *purchase intention*), there is significant evidence of a main effect between the independent and dependent variable both for brand equity and purchase intention. By looking at the p value obtained (0.01>0.05), we can correctly reject the null hypothesis (H0), which assumed that no significant different would occur between the two conditions. Consequently, we can confirm what hypothesis **H1a** proposed, which stated that "if the company anticipates an external entity (such as journalists, TV news or press) in announcing that a misconduct has taken place inside the company, it will lead to a higher perception of brand equity than in the case of a reaction to the announcement after the misconduct has already become public through external entities". Likewise, we can also confirm what hypothesis **H1b** stated, confirming the same effect that anticipating external entities in the announcement of a misconduct has on brand equity for purchase intention.

Mean difference and the 95% confidence interval provide additional insights, which increase the clarity of the significant main effects that were found for both the dependent variables. As the name suggests, "Mean Difference" illustrates the difference in means for the observation between the two groups; both dependent variables present similar mean difference between the anticipation and the reaction condition (0.41 for brand equity, 0.39 for purchase intention).

Lastly, given the analysis performed and the considerations made, we can state that both **H1a and H1b are supported**.

## 3.3. MODERATED MEDIATION ANALYSIS

### 3.3.1. DATA PREPARATION

As it was stated earlier, the model of analysis chosen is a moderated mediation. Since the moderated mediation consists in a set of linear regression analysis, the data needs to be prepared in order to implement a correct linear assumptions verification, which represents a requirement to proceed further with the analysis. As we mentioned earlier, a new variable called *response credibility* was coded through the same procedure operated with the two dependent variables *brand equity* and *purchase intention.* The new variable was obtained through the calculation of the mean value for each of the respondents of all the items composing the variable. Another variable called *ResponseCredibility*Egregiousness* was created to represent the interaction between the two terms of moderated mediation, *response credibility* and *egregiousness*. The variable was coded as the result of the multiplication of the two variables mentioned.

Subsequently, two linear regressions were implemented to recreate the analysis that PROCESS will run when computing the moderated mediation, with the objective of checking the linear regression assumption. This phase of the analysis needs to be done separately as PROCESS is not able to check the assumptions by itself. In the first linear regression, *brand equity* was used as the dependent variable, with *response credibility*, *ResponseCredibility*Egregiousness* and *egregiousness* used as the independent variables. In the second linear regression, the independent variables remained intact, while *purchase intention* replaced *brand equity* as the dependent variable.

### 3.3.2. ASSUMPTIONS VERIFICATION - INTRODUCTION

As we stated earlier, since the moderated mediation consists in a set of linear regression analysis, it is required to check all the linear regression assumptions. Two different linear regression were implemented to check if these assumptions were met. The necessity of two distinct linear regression was due to the fact that this model was designed with two different dependent variables, *brand equity* and *purchase intention*. Since two linear regressions were implemented, it is necessary to check if the assumptions are met for each regression distinctively.

#### 3.3.2.1. ASSUMPTIONS VERIFICATION – BRAND EQUITY SIDE

In the first linear regression implemented, *brand equity* was treated as the dependent variable, with *response credibility*, *egregiousness,* and *ResponseCredibility*Egregiousness* acting as the independent variables. First, normal distribution of the dependent variable was checked by using the Shapiro-Wilk test for normality (Appendix 5, Table A); the test turned out to be significant (0.011>0.05), implying that this assumption is met. The bell-shaped graph (Appendix 5, Figure 2) gives a visual confirmation of what the Shapiro-Wilk test stated. Second, linearity of relationship between the dependent variable and the independent variables was checked. The only variable excluded from this analysis was *anticipation*, since it is a dummy variable, therefore there is no point in testing the linearity assumption on this variable. By looking at the scatterplot (Appendix 5, Figure 1) it can be stated that there is no clear pattern that could indicate a non-linear relationship; the residuals are evenly spread, indicating that a linear relationship exists between the dependent variable and the independent variable. Afterwards, homoscedasticity assumption was checked. By looking at the scatterplot of residuals (Appendix 5, Figure 1) we can see that the range of the residuals is roughly equal; at the same time, the residuals are somewhat evenly scattered around zero. For testing any possible outliers, in the Residual Statistics table (Appendix 5, Table B), Cook's distance was reviewed, showing a maximum value of 0.049, which is under the threshold value of 1 for this parameter which indicates that there are potential outliers that could influence our data. In addition to that, another way to check for possible outliers is to look at the minimum and the maximum of standardized residuals, which should not exceed -3 and +3. By looking at the Standardized Residual interval in the Residual Statistics table (Appendix 5, Table B), it is possible to state that the assumption holds (minimum -3, maximum +2.97) At last, multicollinearity was reviewed by interpreting the VIF (Variance Inflation Factor). The results can be found in Appendix 5 (Table C). In this case, the collinearity statistics showed a VIF<10 for *response credibility* and *egregiousness,* but a VIF>10 for the interaction variable, *ResponseCredibility*Egregiousness,* which implies that the latter variable is affected by serious multicollinearity. Therefore, the multicollinearity assumption is not met. Nevertheless, the analysis will still be performed, and the results will be analyzed by considering the unmet assumption of multicollinearity.

#### 3.3.2.2. ASSUMPTIONS VERIFICATION – PURCHASE INTENTION SIDE

In the second linear regression, *purchase intention* was used as the dependent variable, while the independent variable remained *anticipation, egregiousness, response credibility* and *ResponseCredibility*Egregiousness.* The normality assumption was met: the Shapiro-Wilk test (Appendix 6, Table A) turned out to be significant (0.007>0.05), and the graph (Appendix 6, Figure 1) gives us a visual confirmation of the normal distribution of the variable. By checking the scatterplot (Appendix 6, Figure 2), as we previously stated for *brand equity,* it can be stated that there is no clear pattern that could indicate a non-linear relationship; the residuals are evenly spread, indicating that a linear relationship exists between the dependent variable and the independent variables. By looking at the same scatterplot of residuals (Appendix 5, Figure 2), we can see that the range of the residuals is roughly equal; at the same time, the residuals are somewhat evenly scattered around zero; this confirms that the homoscedasticity assumption is met. For testing any possible outliers, Cook's distance was reviewed (Appendix 6, Table B), showing a maximum value of 0.08. In addition to that, by looking at the Standardized Residual interval in the Residual Statistics table (Appendix 6, Table B), it is possible to state that there are no possible outliers that could influence our data, since the assumption holds (minimum -2.48, maximum +2.67) At last, multicollinearity was reviewed by interpreting the VIF. Similar to the data obtained when analyzing *brand equity*, the collinearity statistics (Appendix 6, Table C) showed a VIF<10 for *response credibility* and *egregiousness*, but a VIF>10 for the interaction variable, *ResponseCredibility*Egregiousness*, which implies that the latter variable is affected by serious multicollinearity. Therefore, the multicollinearity assumption is not met. Nevertheless, as we already mentioned, the analysis will still be performed, and the results will be analyzed by considering the unmet assumption of multicollinearity.

### 3.3.3. ANALYSIS AND RESULTS

**Hypotheses H2a** and **H2b** were tested by making use of the SPSS tool "PROCESS by Hayes", through which it can be implemented a moderated mediation analysis. The model selected for this analysis was model 14, which is the one that corresponds to the model pictured in the theoretical framework.

Two separated moderated mediation analysis were implemented. The first analysis performed had *brand equity* acting as the dependent variable, *anticipation* as the independent variable, *egregiousness* as the mediator and *response credibility* as the moderator. The outcome of this analysis will allow us to determine whether hypothesis H2a is supported.

The first step of the moderated mediation investigates for the shows the analysis conducted on the "A-path" (Appendix 7, Table A) which investigates the relationship between the independent variable (*anticipation*) and the mediating variable (*egregiousness*). The p value of *anticipation* is significant (p. value <0.05); therefore, it is possible to state that the A-path is significant, which means that *anticipation* emerges as a positive and significant predictor of *perceived egregiousness*.

In the second step of moderated mediation, PROCESS analyses the B-path (Appendix 7, Table B), which is the path that leads to the mediating variable (*egregiousness*) to the dependent variable (*brand equity*), considering the moderating effect of *response credibility*. In this phase of the analysis, process creates an interaction variable between *egregiousness* and *response credibility*, respectively the moderator and the mediator. In the previous regression analyses computed to test the assumptions, this variable was coded as *ResponseCredibility*Egregiousness*. In order for the B-path to be significant, the interaction variable must have a p value smaller than 0.05. By looking at the table, the p value is lower than 0.05 (0.016); therefore, given the number of respondents, this path can be considered marginally is significant. As we saw earlier, this represents the evidence that there is a marginal moderated mediation in this model.

The index of moderated mediation (Appendix 7, Table C) gives us a confirmation of what we have pointed out earlier. Since this is a bootstrap result, Process only provides us with the confidence interval, comprehensive of the superior and the inferior limit. In order to be significant, the index should not contain 0 in its interval. As we can see, indeed it does not contain 0. Therefore, the index of moderated mediation is indeed marginally significant.

Hypothesis 2a proposed that, in the scenario of a brand misconduct, response credibility would be able to moderate the role of perceived egregiousness in the relationship between the timing of reaction to the misconduct of the company and brand equity. Considering the analysis conducted in the last section, **hypotheses H2a is (marginally) supported.**

In the second analysis performed, *purchase intention* was used as the dependent variable, with *anticipation* acting as the independent variable, *egregiousness* as the mediator and *response credibility* as the moderator.

It was applied the same procedure used to with the first moderated mediation analysis with *brand equity* as the dependent variable. The first output to be conducted on the "A-path" (Appendix 8, Table A) which investigates the relationship between the independent variable (*anticipation*) and the mediating variable (*egregiousness*). The p value of *anticipation* is significant (p. value <0.05); therefore, it is possible to state that the A-path is significant, which means that *anticipation* emerges as a positive and significant predictor of perceived egregiousness.

In the second step of moderated mediation, the B-path was analyzed (Appendix 8, Table B). In order for the path to be significant, the interaction variable must have a p value smaller than 0.05. By looking at the table, we can see that the p value is lower than 0.05 (0.02); therefore, given the number of respondents, this path can be considered marginally significant. This gives us a firsthand, significant evidence that there is a marginal moderated mediation in this model

By analyzing the index of moderated mediation (Appendix 8, Table C), it is possible to confirm what was pointed out earlier. Since this is a bootstrap result, Process only provides us with the confidence interval. In order to be significant, the interval should not contain 0. As we can see, indeed it does not contain 0. Therefore, the index of moderated mediation is indeed marginally significant.

Hypothesis 2a proposed that, in the scenario of a brand misconduct, response credibility would be able to moderate the role of perceived egregiousness in the relationship between the timing of reaction to the misconduct of the company and purchase intention. Considering the analysis conducted in the last section, **hypotheses H2b is (marginally) supported.**

# GENERAL DISCUSSION

## 1. ACADEMIC AND MANAGERIAL IMPLICATIONS

This study investigates the effect of two different response times when a brand misconduct occurs, and their effects on two main metrics in terms of value for a company: brand equity and purchase intention. The results confirm the hypotheses: if a company anticipates external entities in the announcement of a misconduct, it will lead to a higher perception of brand equity than in the case of a reaction to the announcement after the misconduct has already become public through external entities. The mean difference between the two conditions for both value gives no room for ambiguity.  One key element that could give further insights is whether anticipating (as well as reaction) the external entities announcement is a response time or is a response strategy. In the opinion of the author, there is no clear and objective response to this question. Diermeier (2011) studies three types of corporate responses to a crisis: defensive, no comment, and engaged. These three elements can properly be defined as response strategies, while anticipating (or reacting) external entities does not properly represent a strategy. On some occasions, anticipating external entities in the announcement is not possible, since executives may not know that the misconduct is taking place. An example could be a major corporation that produces clothes (such as Nike) and has factories spread all over the world, with some plants not directly owned by the company, which implies more difficulties in assuring that no misconduct can take place. Executives could have no control on certain situations, giving no possibility of choice whether to anticipate or react to an announcement of misconduct by external entities. Nevertheless, anticipating (or reacting) external entities can also be considered as a strategy, since it implies that the company, when possible, has to take a choice in terms of timing of the announcement. Regardless of any case, this study adds evidence to suggest that anticipating external entities in the announcement of a misconduct, rather than reacting to it, can represent a better option.

In addition to that, this thesis explores the eventuality of response credibility acting as a moderator in the relationship between perceived egregiousness of the misconduct and brand equity, as well as purchase intention. Given the number of respondents, the moderated mediation appears to be marginally significant both for purchase intention and brand equity. This ultimately suggests that perceived egregiousness and response credibility, with different modalities, affect a consumer's willingness to buy when misconduct occurs. These findings are supported by previous research results on this topic (Klein, 2004).

In terms of managerial implications, a major takeaway from this study is that the timing of response plays an important role when going through a crisis; anticipating external entities in the misconduct announcement has been found to effectively diminish damages to brand equity and purchase intention, compared to a late reaction to the announcement made by external entities. This could imply that consumers tend to trust and develop empathy with companies that act with sincerity and hearing the fact first from the company itself can save the company from even more reputational and asset damage that could come from a belated reaction. Therefore, it is fair to state that the timing of reaction to a misconduct can have an impact on consumers ‘mind when it comes to purchase intention and all the sets of elements that brand equity is made of, such as brand loyalty, awareness, trust, identity, associations, as well as perceived quality and value.

Furthermore, elements such as perceived egregiousness and response credibility were found play a minor, but potentially significant role in the relationship between timing of reaction and purchase intention. Therefore, we can extract other two major takeaways: first, when dealing with a misconduct, companies should take into account that consumers might develop different levels of egregiousness, and these levels can influence their perception of brand equity and purchase intention depending on the timing of response to the misconduct. Second, response credibility can influence the level of perceived egregiousness of consumers, which turns in different perceived levels of brand equity and purchase intention.

In conclusion, when going through a reputational crisis, companies should consider many factors, which can be very different and hard to evaluate; nevertheless, they should not lose sight of what matters the most: their customers and the idea they have of the company, as well as their willingness to buy. These factors account for a major portion of success for a company, and an effective and anticipated communication may be the key to not suffer incremental damages when facing up a misconduct crisis.

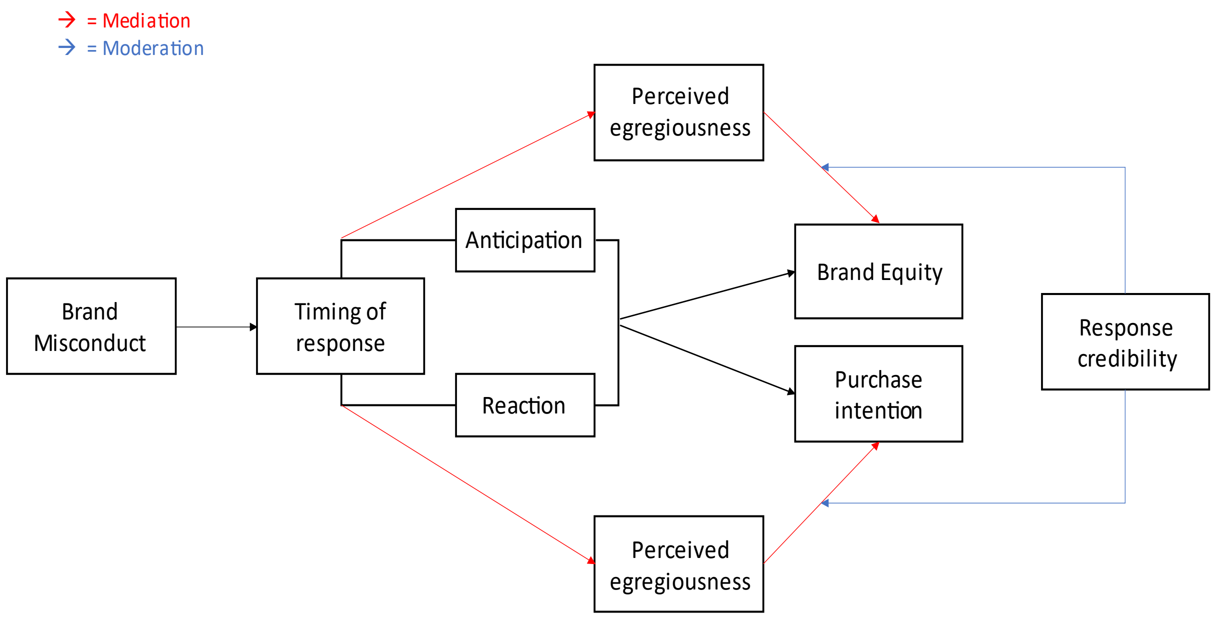
# 2. LIMITATIONS AND FURTHER RESEARCH

This study has a number of limitations that should be taken into account. First of all, the interaction variable of the moderated mediation (*ResponseCredibility*Egregiousness*) was found out to be affected by multicollinearity. This may be due to several factors, such as the relatively small sample, the method or the design of analysis. These factors could be further investigated by future researchers with a more structured analysis, along with more advanced instruments and a larger sample. Second of all, the sample collected presents a high level of heterogeneity, not targeted in terms of age, education, or geographically; further study could insist on the same analysis by selecting a more precise sample, made of consumers which take into account various aspects such as environmental factors, fair trademarks, origin of material and other elements when shopping, or by targeting a specific age, population or territory. In addition to that, this analysis used an unspecified brand (Brand X), which excludes important elements of the brand equity model such as brand salience, brand recall and brand resonance from the analysis. An analysis made with a real, well-known brand could offer a wider and more complete picture on this theme, thanks to several factors that were not considered in this study. Furthermore, there could be more underlying factors that may influence the relationship between timing of response and purchase intention, as well as brand equity, in addition to the ones that were analyzed in this study (perceived egregiousness and response credibility). Future research could propose other elements and different variables scheme to investigate further on this theme, that still has much to offer in terms of analysis.

Despite all the limitation described above, this study makes its contribution to the broader topic of brand misconduct by analyzing an overlook theme, which is the timing of reaction to the misconduct itself on crucial assets such as brand equity and purchase intention, as well as investigating with a moderated mediation analysis the role of perceived egregiousness and response credibility in a scenario of brand misconduct. By examining the effects of two different timings of reaction on consumers' judgment, the study presents new practical knowledge to the reputational crisis management field.

# APPENDIX

## APPENDIX 1 – VARIABLE SCHEME




## APPENDIX 2 – DESCRIPTIVE STATISTICS

***Table a. Brand equity- items***

*Descriptive Statistics*

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Brand_Equity_1 | 180 | 1 | 5 | 2,66 | 1,100 |
| Brand_Equity_2 | 180 | 1 | 5 | 2,62 | 1,110 |
| Brand_Equity_3 | 180 | 1 | 5 | 2,54 | 1,100 |
| Brand_Equity_4 | 180 | 1 | 5 | 2,43 | 1,119 |
| Brand_Equity_5 | 180 | 1 | 5 | 2,50 | 1,060 |
| Brand_Equity_6 | 180 | 1 | 5 | 2,81 | 1,168 |
| Brand_Equity_7 | 180 | 1 | 5 | 2,80 | 1,095 |
| Brand_Equity_8 | 180 | 1 | 5 | 2,82 | 1,026 |
| Brand_Equity_9 | 180 | 1 | 5 | 2,84 | 1,013 |
| Valid N (listwise) | 180 | | | | |

***Table b. Purchase intention – items***
*Descriptive Statistics*

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Purchase_intention_1 | 179 | 1 | 5 | 2,71 | 1,041 |
| Purchase_intention_2 | 179 | 1 | 5 | 2,68 | 1,053 |
| Purchase_intention_3 | 179 | 1 | 5 | 2,59 | 1,031 |
| Purchase_intention_4 | 179 | 1 | 5 | 2,41 | 1,095 |
| Valid N (listwise) | 178 | | | | |

***Table c. Response credibility- items***
*Descriptive Statistics*

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Response_credibility_1 | 180 | 1 | 5 | 2,71 | 1,137 |
| Response_credibility_2 | 180 | 1 | 5 | 2,88 | 1,127 |
| Response_credibility_3 | 180 | 1 | 5 | 2,73 | 1,103 |
| Valid N (listwise) | 180 | | | | |

***Table d. Dependent variables***
*Descriptive Statistics*

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Brand Equity | 180 | 1,00 | 5,00 | 2,6691 | ,85382 |
| Purchase Intention | 178 | 1,00 | 5,00 | 2,5913 | ,88603 |
| Valid N (listwise) | 178 | | | | |

***Table e. Moderated mediation variables***
*Descriptive Statistics*

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Response Credibility | 180 | 1,00 | 5,00 | 2,7704 | 1,02015 |
| Egregiousness | 179 | 1 | 5 | 2,69 | 1,232 |
| Valid N (listwise) | 179 | | | | |

# APPENDIX 3 – RELIABILITY ANALYSIS

***Table A. Reliability Statistics – Brand Equity Items***

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| ,922 | ,922 | 9 |

***Table B. Inter-Item Correlation Matrix – Brand Equity***

| | Brand_Equity_1 | Brand_Equity_2 | Brand_Equity_3 | Brand_Equity_4 | Brand_Equity_5 | Brand_Equity_6 | Brand_Equity_7 | Brand_Equity_8 | Brand_Equity_9 |
|---|---|---|---|---|---|---|---|---|---|
| Brand_Equity_1 | 1,000 | ,769 | ,724 | ,667 | ,592 | ,592 | ,528 | ,457 | ,569 |
| Brand_Equity_2 | ,769 | 1,000 | ,733 | ,717 | ,631 | ,586 | ,467 | ,463 | ,559 |
| Brand_Equity_3 | ,724 | ,733 | 1,000 | ,673 | ,592 | ,597 | ,542 | ,519 | ,559 |
| Brand_Equity_4 | ,667 | ,717 | ,673 | 1,000 | ,737 | ,596 | ,456 | ,367 | ,490 |
| Brand_Equity_5 | ,592 | ,631 | ,592 | ,737 | 1,000 | ,600 | ,406 | ,362 | ,531 |
| Brand_Equity_6 | ,592 | ,586 | ,597 | ,596 | ,600 | 1,000 | ,513 | ,398 | ,589 |
| Brand_Equity_7 | ,528 | ,467 | ,542 | ,456 | ,406 | ,513 | 1,000 | ,694 | ,598 |
| Brand_Equity_8 | ,457 | ,463 | ,519 | ,367 | ,362 | ,398 | ,694 | 1,000 | ,557 |
| Brand_Equity_9 | ,569 | ,559 | ,559 | ,490 | ,531 | ,589 | ,598 | ,557 | 1,000 |

***Table C. Reliability Statistics – Purchase Intention Items***

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| ,863 | ,863 | 4 |

***Table D. Inter-Item Correlation Matrix – Purchase Intention***

| | PurchaseIntention_1 | PurchaseIntention_2 | PurchaseIntention_3 | PurchaseIntention_4 |
|---|---|---|---|---|
| PurchaseIntention_1 | 1,000 | ,715 | ,547 | ,496 |
| PurchaseIntention_2 | ,715 | 1,000 | ,623 | ,681 |
| PurchaseIntention_3 | ,547 | ,623 | 1,000 | ,614 |
| PurchaseIntention_4 | ,496 | ,681 | ,614 | 1,000 |

***Table E. Reliability Statistics – Response Credibility***

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| ,898 | ,898 | 3 |

***Table F. Inter-Item Correlation Matrix – Response Credibility***

| | Response_credibility_1 | Response_credibility_2 | Response_credibility_3 |
|---|---|---|---|
| Response_credibility_1 | 1,000 | ,732 | ,744 |
| Response_credibility_2 | ,732 | 1,000 | ,760 |
| Response_credibility_3 | ,744 | ,760 | 1,000 |

# APPENDIX 4 – INDIPENDENT SAMPLE T-TEST

***Table A. Independent Samples Test***

| | | | Brand Equity | | Purchase Intention | |
|---|---|---|---|---|---|---|
| | | | Equal variances assumed | Equal variances not assumed | Equal variances assumed | Equal variances not assumed |
| Levene's Test for Equality of Variances | F | | 1,513 | | ,080 | |
| | Sig. | | ,220 | | ,777 | |
| t-test for Equality of Means | t | | 3,382 | 3,374 | 3,029 | 3,023 |
| | df | | 179 | 173,698 | 177 | 173,921 |
| | Significance | One-Sided p | <,001 | <,001 | ,001 | ,001 |
| | | Two-Sided p | ,001 | ,001 | ,003 | ,003 |
| | Mean Difference | | ,41863 | ,41863 | ,39412 | ,39412 |
| | Std. Error Difference | | ,12378 | ,12407 | ,13011 | ,13039 |
| | 95% Confidence Interval of the Difference | Lower | ,17439 | ,17376 | ,13735 | ,13676 |
| | | Upper | ,66288 | ,66351 | ,65088 | ,65147 |

# APPENDIX 5 – ASSUMPTION TESTING: BRAND EQUITY

***Table A. Tests of Normality***

| | Kolmogorov-Smirnov[a] | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|
| | Statistic | df | Sig. | Statistic | df | Sig. |
| Brand Equity | ,081 | 181 | ,006 | ,980 | 181 | ,011 |

***Table B. Residuals Statistics***

| | Minimum | Maximum | Mean | Std. Deviation | N |
|---|---|---|---|---|---|
| Predicted Value | 1,9148 | 4,5081 | 2,6611 | ,57933 | 179 |
| Std. Predicted Value | -1,288 | 3,188 | ,000 | 1,000 | 179 |
| Standard Error of Predicted Value | ,070 | ,218 | ,101 | ,028 | 179 |
| Adjusted Predicted Value | 1,8852 | 4,4409 | 2,6616 | ,57775 | 179 |
| Residual | -1,89138 | 1,84532 | ,00000 | ,62107 | 179 |
| Std. Residual | -3,011 | 2,938 | ,000 | ,989 | 179 |
| Stud. Residual | -3,050 | 2,966 | ,000 | 1,002 | 179 |
| Deleted Residual | -1,94084 | 1,88123 | -,00053 | ,63764 | 179 |
| Stud. Deleted Residual | -3,126 | 3,035 | -,001 | 1,010 | 179 |
| Mahal. Distance | 1,196 | 20,404 | 3,978 | 3,031 | 179 |
| Cook's Distance | ,000 | ,049 | ,005 | ,008 | 179 |
| Centered Leverage Value | ,007 | ,115 | ,022 | ,017 | 179 |

***Table C. Coefficients[a]* and Collinearity Statistics**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Correlations | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Zero-order | Partial | Part | Tolerance | VIF |
| 1 | (Constant) | 1,862 | ,274 | | 6,803 | <,001 | | | | | |
| | Anticipation | ,009 | ,100 | ,005 | ,088 | ,930 | ,232 | ,007 | ,005 | ,882 | 1,134 |
| | Response Credibility | ,010 | ,110 | ,012 | ,092 | ,926 | ,586 | ,007 | ,005 | ,177 | 5,643 |
| | ResponseCredibility*Egregiousness | ,119 | ,038 | ,767 | 3,130 | ,002 | ,680 | ,231 | ,174 | ,051 | 19,545 |
| | Egregiousness | -,076 | ,117 | -,110 | -,646 | ,519 | ,591 | -,049 | -,036 | ,107 | 9,386 |

*a. Dependent Variable: Brand Equity*

*Figure 1. Scatterplot*

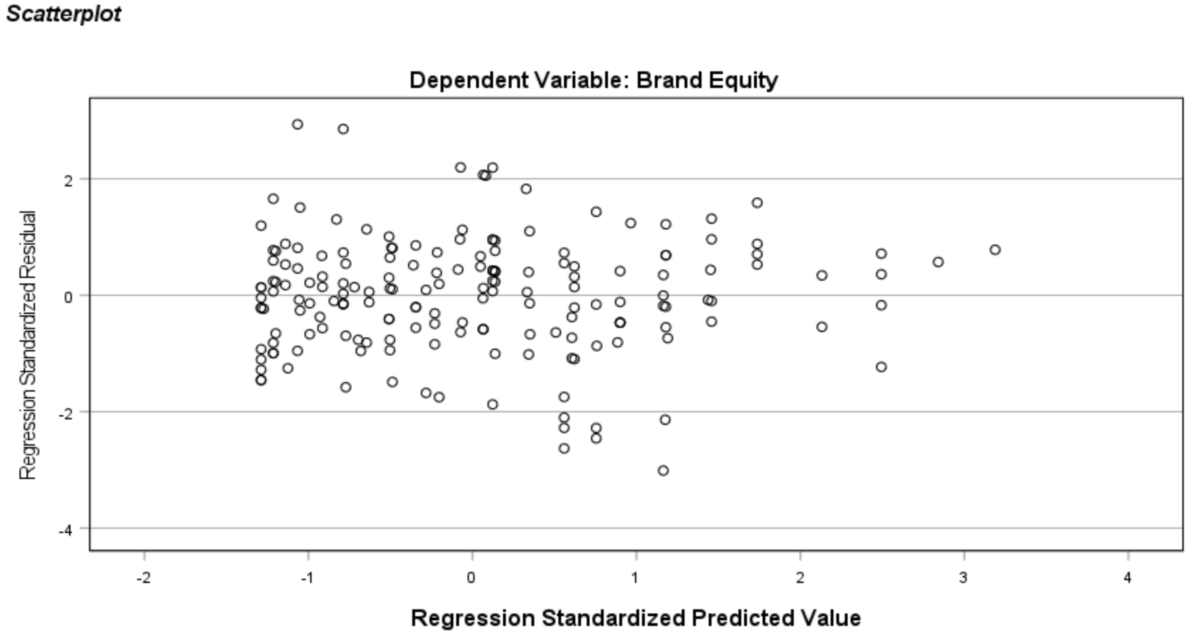
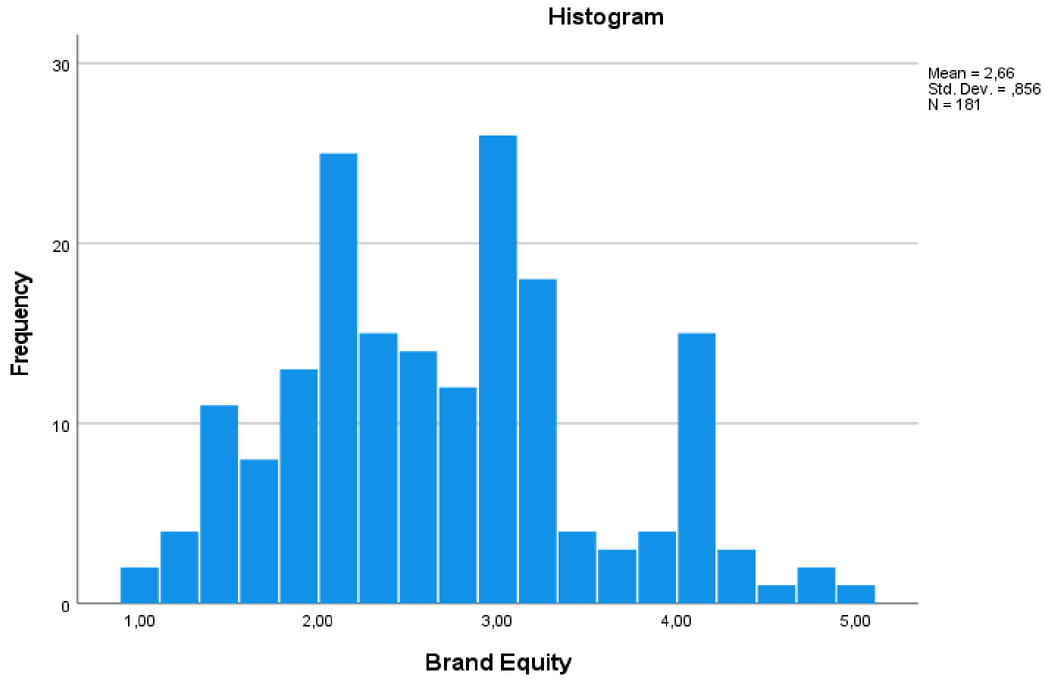



*Figure 2. Histogram*



# APPENDIX 6 – ASSUMPTION TESTING: PURCHASE INTENTION

***Table A. Tests of Normality***

| | Kolmogorov-Smirnov[a] | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|
| | Statistic | df | Sig. | Statistic | df | Sig. |
| Purchase Intention | ,079 | 178 | ,008 | ,979 | 178 | ,007 |

*a. Lilliefors Significance Correction*

***Table B. Residuals Statistics[a]***

| | Minimum | Maximum | Mean | Std. Deviation | N |
|---|---|---|---|---|---|
| Predicted Value | 1,8508 | 4,2902 | 2,5913 | ,54507 | 178 |
| Std. Predicted Value | -1,359 | 3,117 | ,000 | 1,000 | 178 |
| Standard Error of Predicted Value | ,079 | ,223 | ,114 | ,031 | 178 |
| Adjusted Predicted Value | 1,8062 | 4,2668 | 2,5933 | ,54633 | 178 |
| Residual | -1,70178 | 1,87597 | ,00000 | ,69853 | 178 |
| Std. Residual | -2,409 | 2,655 | ,000 | ,989 | 178 |
| Stud. Residual | -2,441 | 2,672 | -,001 | 1,005 | 178 |
| Deleted Residual | -1,74782 | 1,90231 | -,00200 | ,72224 | 178 |
| Stud. Deleted Residual | -2,477 | 2,721 | -,001 | 1,011 | 178 |
| Mahal. Distance | 1,209 | 16,713 | 3,978 | 2,938 | 178 |
| Cook's Distance | ,000 | ,080 | ,007 | ,012 | 178 |
| Centered Leverage Value | ,007 | ,094 | ,022 | ,017 | 178 |

*a. Dependent Variable: Purchase Intention*

*Table C. Coefficients[a] and Collinearity Statistics*

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Correlations | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Zero-order | Partial | Part | Tolerance | VIF |
| 1 | (Constant) | 2,002 | ,313 | | 6,390 | <,001 | | | | | |
| | Anticipation | ,076 | ,113 | ,043 | ,671 | ,503 | ,233 | ,051 | ,040 | ,887 | 1,128 |
| | Response Credibility | -,012 | ,126 | -,014 | ,098 | ,922 | ,541 | -,007 | ,006 | ,175 | 5,730 |
| | ResponseCredibility*Egregiousness | ,143 | ,045 | ,864 | 3,201 | ,002 | ,602 | ,236 | ,192 | ,049 | 20,288 |
| | Egregiousness | -,212 | ,136 | -,293 | -1,561 | ,120 | ,491 | -,118 | -,094 | ,102 | 9,825 |

*a. Dependent Variable: Brand Equity*

***Figure 1. Histogram***

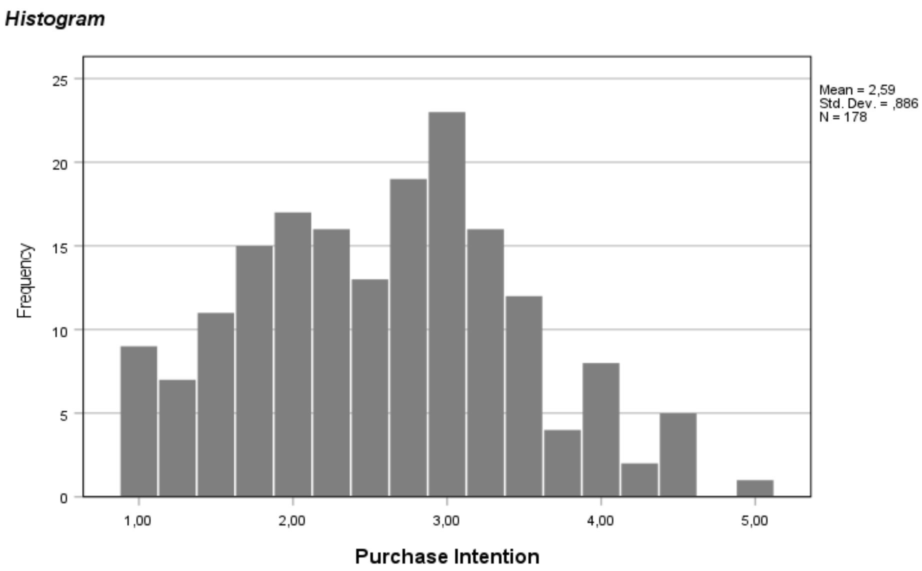
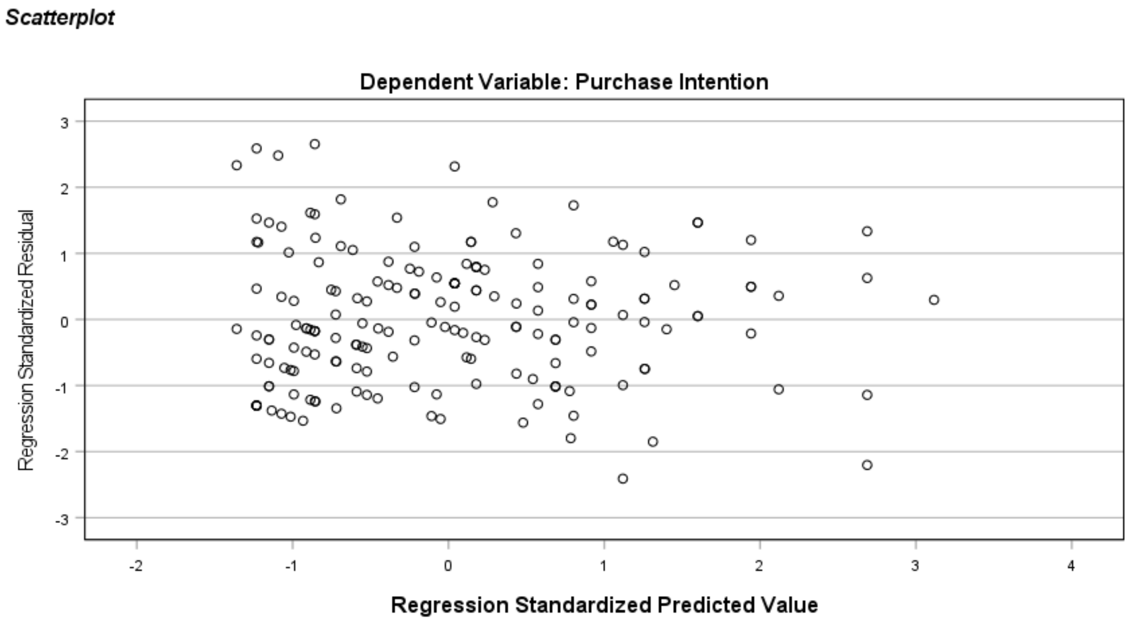


*Figure 2. Scatterplot*




# APPENDIX 7 – MODERATED MEDIATION: BRAND EQUITY

**Table A. A-Path**
OUTCOME VARIABLE: **Egregiousness**

*Model Summary*

| R | R-sq | MSE | F | df1 | df2 | p |
|---|---|---|---|---|---|---|
| ,3097 | ,0959 | 1,3797 | 18,7720 | 1,0000 | 177,0000 | ,0000 |

*Model*

| | coeff | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| Constant | 2,3187 | ,1231 | 18,8310 | ,0000 | 2,0757 | 2,5617 |
| Anticipation | ,7609 | ,1756 | 4,3327 | ,0000 | ,4143 | 1,1074 |

**Table B. B-Path**
OUTCOME VARIABLE: **Brand Equity**

*Model Summary*

| R | R-sq | MSE | F | df1 | df2 | p |
|---|---|---|---|---|---|---|
| ,6821 | ,4653 | ,3946 | 37,8495 | 4,0000 | 174,0000 | ,0000 |

*Model*

| | coeff | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| Constant | 1,8618 | ,2737 | 6,8031 | ,0000 | 1,3216 | 2,4019 |
| Anticipation | ,0088 | ,1000 | ,0880 | ,9300 | -,1886 | ,2062 |
| Egregiousness | -,0757 | ,1171 | -,6462 | ,5190 | -,3068 | ,1554 |
| Response Credibility | ,0101 | ,1096 | ,0924 | ,9265 | -,2061 | ,2264 |
| Interaction | ,1186 | ,0379 | 3,1304 | ,0020 | ,0438 | ,1934 |

Product terms key:
Interaction : Egr x R_c

**Table C. Index Of Moderated Mediation**

| | Index | BootSE | BootLLCI | BootULCI |
|---|---|---|---|---|
| R_c | ,0902 | ,0336 | ,0306 | ,1621 |

# APPENDIX 8 – MODERATED MEDIATION – PURCHASE INTENTION

**Table A. A-Path**
OUTCOME VARIABLE: **Egregiousness**

*Model Summary*

| R | R-sq | MSE | F | df1 | df2 | p |
|---|---|---|---|---|---|---|
| ,3028 | ,0917 | 1,3663 | 17,7678 | 1,0000 | 176,0000 | ,0000 |

*Model*

| | coeff | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| Constant | 2,3187 | ,1225 | 18,9229 | ,0000 | 2,0769 | 2,5605 |
| Anticipation | ,7388 | ,1753 | 4,2152 | ,0000 | ,3929 | 1,0847 |

**Table B. B-Path**
OUTCOME VARIABLE: **Purchase Intention**

*Model Summary*

| R | R-sq | MSE | F | df1 | df2 | p |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| ,6152 | ,3785 | ,4992 | 26,3344 | 4,0000 | 173,0000 | ,0000 |

*Model*

| | coeff | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| Constant | 2,0024 | ,3134 | 6,3899 | ,0000 | 1,3839 | 2,6209 |
| Anticipation | ,0756 | ,1125 | ,6715 | ,5028 | -,1465 | ,2976 |
| Egregiousness | -,2124 | ,1361 | -1,5607 | ,1204 | -,4811 | ,0562 |
| Response Credibility | -,0123 | ,1259 | -,0981 | ,9220 | -,2609 | ,2362 |
| Interaction | ,1428 | ,0446 | 3,2006 | ,0016 | ,0547 | ,2309 |

Product terms key:
Intercation : Egr x R_c

## Table C. Index Of Moderated Mediation

| | Index | BootSE | BootLLCI | BootULCI |
|---|---|---|---|---|
| R_c | ,1055 | ,0460 | ,0253 | ,2046 |

# APPENDIX 9 – RANDOMIZATION SCHEME

**SURVEY FLOW**

**Block: Introduction (1 Question)**
**Standard: Block 1 (1 Question)**
**Block: Manipulation check (2 Questions)**

**BlockRandomizer: 1 - Evenly Present Elements**

- **EmbeddedData**
  - **anticipation = 1**
- **EmbeddedData**
  - **reaction = 1**

**Branch: New Branch**
- **If**
  - **If reaction Is Equal to 1**

  - **Block: IV: reaction (1 Question)**
  - **Block: Dependent variables (2 Questions)**
  - **Block: Mediating variable (1 Question)**
  - **Block: Moderating variable (1 Question)**
  - **Block: Demographics (5 Questions)**

**Branch: New Branch**
- **If**
  - **If anticipation Is Equal to 1**

  - **Block: IV: anticipation (1 Question)**
  - **Block: Dependent variables (2 Questions)**
  - **Block: Mediating variable (1 Question)**
  - **Block: Moderating variable (1 Question)**
  - **Block: Demographics (5 Questions)**

# APPENDIX 10 – SURVEY

Start of Block: Introduction

**INTRO**

Dear Participant,

I am conducting a survey for my master thesis in Marketing @ Erasmus School of Economics.
A scenario will be descrived to you; subsequentely, you will be asked to answer some questions. You will be able to go back and forth.

**Please, read the text carefully before answering the questions.** This survey should not take longer than 5 minutes.

Your participation in this study will be anonymous and, all data will be treated confidentially. Please note that there are no right or wrong answers.

Thank you for participating in my master thesis survey.

Sincerely,

Giovanni Bagnolo

**End of Block: Introduction**

---

**Start of Block: Block 1**

**BRAND MISCONDUCT**

**Please, read carefully the following text and answer the questions that follow:** You've just purchased a pair of your favourite brand's jeans (we will call it Brand X). While drinking coffee after shopping, you come across an article in a magazine stating that some jeans brands manufacture their products in countries with extremely low wages, even using child labour in South Asia.

The article also includes a photograph of very young female workers producing jeans on very old machines.

As you read the caption, you discover that this photograph was taken in a production plant run by your favourite jeans brand (Brand X).

**End of Block: Block 1**

---

**Start of Block: Manipulation check**

Q1 According to text, Brand X:

○ Ensured great working conditions everywhere (1)

○ Was found to not ensure proper working conditions (2)

○ Did not face any crisis (3)

---

Page Break

Q2 Recently, Brand X faced:

○ A drop in stock price (1)

○ A sexual harassment case (2)

○ An accusation of not assuring proper working conditions (3)

**End of Block: Manipulation check**

---

**Start of Block: IV: reaction**

**REACTION**

**Please, read carefully the following text:**

After reading the article, you decide to look for more information.

<u>You find out that these accusations were made public by a TV program investigation.</u>

The company responded through the following public press release by the CEO: "Brand X is deeply saddened by this news. These working conditions are vile and disgusting. They contradict everything Brand X stands for and believes in.

We will conduct an urgent internal inquiry to assess responsibilities, and any employee found responsible, regardless of hierarchy or job performance, will face a zero-tolerance policy.
We strive to make Brand X a just, safe, and respectful workplace for all employees. There is no excuse for such incidents in this company. Employees at Brand X deserve a workplace where human rights are respected."

**End of Block: IV: reaction**

---

**Start of Block: IV: anticipation**

**ANTICIPATION**

After reading the article, you decide to look for more information.

<u>You find that it was the company's management that discovered the work condition violations and immediately released the following public statement by the CEO:</u> "Brand X is deeply saddened by this news. These working conditions are vile and disgusting. They contradict everything Brand X stands for and believes in.

We will conduct an urgent internal inquiry to assess responsibilities, and any employee found responsible, regardless of hierarchy or job performance, will face a zero-tolerance policy.
We strive to make Brand X a just, safe, and respectful workplace for all employees. There is no excuse for such incidents in this company. Employees at Brand X deserve a workplace where human rights are respected."

**End of Block: IV: anticipation**

---

**Start of Block: Dependent variables**

Brand Equity Based on the information you just read, please rate your level of agreement with the following statements:

| | Strongly disagree (1) | Somewhat disagree (2) | Neither agree nor disagree (3) | Somewhat agree (4) | Strongly agree (5) |
|---|---|---|---|---|---|
| I have a favorable opinion of Brand X (1) | ○ | ○ | ○ | ○ | ○ |
| I have positive feelings about Brand X (2) | ○ | ○ | ○ | ○ | ○ |
| I have a good impression of Brand X (3) | ○ | ○ | ○ | ○ | ○ |
| I consider Brand X very trustworthy (4) | ○ | ○ | ○ | ○ | ○ |
| I consider Brand X very reliable (5) | ○ | ○ | ○ | ○ | ○ |
| I trust Brand X to do the right thing (6) | ○ | ○ | ○ | ○ | ○ |
| I believe Brand X is a high-quality brand (7) | ○ | ○ | ○ | ○ | ○ |
| I believe Brand X supply high quality products/services (8) | ○ | ○ | ○ | ○ | ○ |
| I consider Brand X very desirable (9) | ○ | ○ | ○ | ○ | ○ |

Page Break

**PURCHASE INTENTION**

Based on the information you just read, please rate your level of agreement with the following statements:

| | Strongly disagree (1) | Somewhat disagree (2) | Neither agree nor disagree (3) | Somewhat agree (4) | Strongly agree (5) |
|---|---|---|---|---|---|
| It is very likely that I will buy Brand X (1) | ○ | ○ | ○ | ○ | ○ |
| I will purchase Brand X the next time I need a pair of Jeans (2) | ○ | ○ | ○ | ○ | ○ |
| I will definitely try Brand X (3) | ○ | ○ | ○ | ○ | ○ |
| I will recommend Brand X to my friends. (4) | ○ | ○ | ○ | ○ | ○ |

**End of Block: Dependent variables**

---

**Start of Block: Mediating variable**

**EGREGIOUSNESS**

Please, answer the following question:

| | Totally disapprove (1) | Somewhat disapprove (2) | Neither approve nor disapprove (3) | Somewhat approve (4) | Totally approve (5) |
|---|---|---|---|---|---|
| To what extent do you approve Brand X's actions? (1) | ○ | ○ | ○ | ○ | ○ |

**End of Block: Mediating variable**

**Start of Block: Moderating variable**

**RESPONSE CREDIBILITY**

Almost done! Based on the information you just read, please rate your level of agreement with the following statements:

| | Strongly disagree (1) | Somewhat disagree (2) | Neither agree nor disagree (3) | Somewhat agree (4) | Strongly agree (5) |
|---|---|---|---|---|---|
| I trust Brand X’s management. (1) | ○ | ○ | ○ | ○ | ○ |
| Brand X’s management makes truthful claims. (2) | ○ | ○ | ○ | ○ | ○ |
| Brand X’s management is honest. (3) | ○ | ○ | ○ | ○ | ○ |

**End of Block: Moderating variable**

**Start of Block: Demographics**

***Gender:*** What is your gender?

- ○ Male (1)
- ○ Female (2)
- ○ I prefer to not answer (3)

---

***Age:*** What is your age?

________________________________________________________________

---

***Nationality***: What is your nationality?

________________________________________________________________

---

***Education:*** What is your education?

- ○ High school diploma or lower (1)
- ○ Bachelor's degree (2)
- ○ Master's degree (3)
- ○ Doctorate degree (4)

---

***Profession*****:** What is your current employement status?

- ○ Student (1)
- ○ Unemployed (2)
- ○ Self employed (3)
- ○ Employed (4)
- ○ Retired (5)

**End of Block: Demographics**

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