Beyond the Buyout: Unveiling Consumer Reactions After a Startup Acquisition

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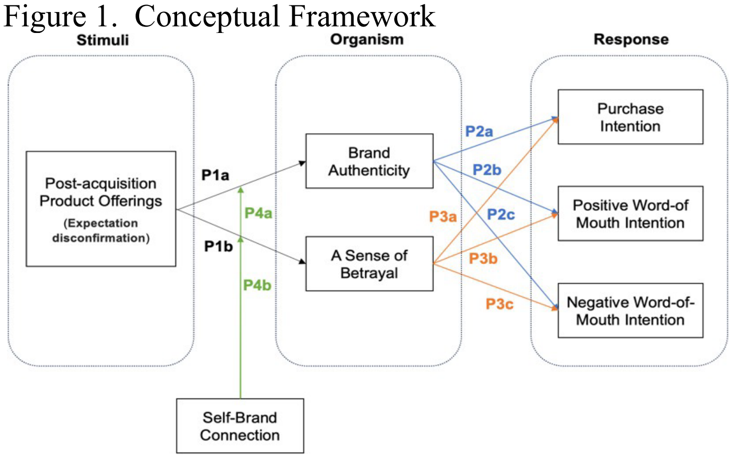
Background and Purpose: Over the last decade, there has been a rise in the number of digitally native startups within the retail industry. These companies are gaining traction by selling and promoting their products directly to consumers via online platforms, including web stores and social media (Kim et al., 2021). They are known for their innovative products and services with a strong focus on customer needs. Yet, carving out a sustainable niche in the competitive online market remains a challenge. To expand further, some have opted to sell to larger corporations—for instance, the men's apparel company Bonobos, which started in 2007 and was acquired by Walmart in 2017. While this growth strategy offers benefits from an operational perspective, little is known about consumer responses to the acquired brand's post-acquisition performance. Selling a business leads consumers to question whether the brand will remain true to its founding values and thus maintain brand authenticity, a significant determinant of various important retail outcomes, including brand loyalty (Moulard et al., 2021). In response to an acquisition, consumers may have certain expectations regarding the startup brand's future product offerings, and the brand's actual performance can disconfirm the expectations. What remains unexplored is consumer responses to the disconfirmation of consumer expectations.
Drawing on the stimuli-organism-response model (Mehrabian & Russell, 1974) and expectancy disconfirmation theory (Oliver, 1980), this study proposes a conceptual framework that examines the effects of expectation disconfirmation on consumers' cognitive (brand authenticity) and affective (a sense of betrayal) responses, which are expected to influence consumers' purchase as well as negative and positive word-of-mouth intentions.
Also considered are the moderating effects of self-brand connection, the extent to which consumers have merged brands into their self-concept (Escalas & Bettman, 2003).

Theoretical Background: *The Stimulus-Organism-Response (S-O-R) model* is a useful model for understanding how external stimuli are processed leading to an individual's internal states, such as emotional and cognitive, to produce specific behaviors (Mehrabian & Russell, 1974). In the context of consumer behavior, stimuli can be various inputs, such as travel experience (Kim et al., 2020) and marketing communication (Sultan et al., 2021). These stimuli are then processed by the 'organism,' or individual consumers, leading to outcomes, such as purchase decisions. This conceptual framework highlights the critical role of internal mediators in the consumer decision-making process in shaping consumer behavior. In the proposed framework, the stimuli are the startup's post-acquisition product offerings that disconfirm consumers' initial expectations, the Organism is the consumers' perceptions of the startup's brand authenticity and a sense of betrayal, and the Response is purchase intentions and positive/negative word-of-mouth intentions.

Expectancy Disconfirmation Theory suggests that consumers have set expectations about a product which they use as benchmarks for evaluating performance (Oliver, 1980). When performance surpasses expected performance, there is a positive disconfirmation, leading to positive reactions such as satisfaction or delight. If the performance fails to meet the expectation, negative disconfirmation takes place, leading to negative reactions such as dissatisfaction or even a sense of betrayal. The magnitude of a consumer's reactions is determined by the gap between their initial expectation and actual experience, with a bigger discrepancy leading to more intense reactions.

Conceptual Framework and Propositions: This study combines the stimuli-organism-response model and expectancy disconfirmation theory to propose a conceptual framework. It aims to investigate how consumer expectation disconfirmation impacts cognitive and affective responses, perceived brand authenticity and feelings of betrayal. These are then expected to affect consumers' intentions to purchase and share both positive and negative feedback about the brand. Additionally, the framework includes the moderating influence of self-brand connection on the relationships between the Stimuli and the Organism (Figure 1).

Figure 1. Conceptual Framework



P1: Prior findings have shown that when offerings fail to meet consumers' expectations, they perceive them as adulterated and lacking in authenticity (Burgess & Jones, 2023). Failing to deliver on brand promises was shown to elicit feelings of betrayal (Su et al., 2023). Thus, if a startup's product offerings deteriorate after the brand is acquired by a bigger company and fail to meet consumer expectations, this can lead to reduced perceived brand authenticity (a) and increased sense of betrayal (b).

P2: Consumers exhibit higher purchase intentions toward authentic brands (Loebnitz & Grunert, 2022) and prefer them over inauthentic ones (Rixom & Rixom, 2023). They perceive greater dedication from authentic brands, which in turn influences their expectations of product quality (Rixom & Rixom, 2023). Moreover, consumers are inclined to communicate positively about authentic brands (Chu et al., 2023). When offerings fail to meet expectations and are perceived as adulterated, consumers view it as a moral violation, often leading to retaliatory behaviors (Burgess & Jones, 2023). Accordingly, stronger perceived brand authenticity will increase purchase intentions (a) and positive word-of-mouth intentions (b), while reducing negative word-of-mouth intentions (c).

P3: Prior findings have shown that feeling betrayed by a brand elicits a desire to avoid the brand (Tan et al., 2021) and engage in negative word-of-mouth (Grégoire & Fisher, 2008). Such intense negative emotions can also discourage consumers from expressing any positive sentiments they may have about the brand. Thus, a strong sense of betrayal will diminish purchase (a) and positive word-of-mouth intentions (b), while amplifying negative word-of-mouth intentions (c).

P4: A stronger consumers' identification with a brand significantly amplified their negative evaluations of the brand when faced with brand failures (Cheng et al., 2012). This relationship also heightened negative emotional reactions such as brand shame (Weitzl et al., 2024). Accordingly, a strong identification with the startup brand (i.e., self-brand connection) will exacerbate the negative impact of unmet expectations about product offerings on perceived brand authenticity (a) and intensify the resulting feelings of betrayal (b).

Contributions: For both acquirers and startup companies in the retail industry, this study can inform strategic decisions by examining the impact of disconfirmation of consumer expectations on cognitive and affective reactions, particularly in terms of perceived brand authenticity and a sense of betrayal. Such reactions can shape consumers' intentions to buy and to communicate their experiences with the brand, either positively or negatively. The conceptual framework also considers how self-brand connection may alter these dynamics.

Taken together, the findings can help companies better anticipate customer reactions and make strategic decisions accordingly to minimize potential backlash.

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