Felt Betrayed or Resisted? The Impact of Pre-Crisis CSR Reputation on Consumer Reactions to Brand Crises

Jiyun Kang, Ph.D., Texas State University
Woo Jin Choi, Ph.D., University of Seoul
Tiffani Slaten, Texas State University

The complex, globalized supply chains of the fashion industry make it susceptible to both human and environmental issues, which magnifies the implications of corporate irresponsibility (Diddi & Niehm, 2016). To address environmental, social, and economic issues, many fashion brands have emphasized corporate social responsibility (CSR) (Kang & Hustvedt, 2014). The level of commitment to CSR initiatives creates each fashion brand's *CSR reputation*, which refers to consumers' evaluations of the extent to which a given brand is environmentally, socially, and economically responsible (Chabowski, Mena, & Gonzalez-Padron, 2011). Despite efforts toward CSR, companies can face a brand crisis—an unexpected, sudden event that threatens a brand's primary objectives and may cause financial losses and damaged reputations (Cleeren, van Heerde, & Dekimpe, 2013). As we enter the fourth industrial revolution, in which technology and social media have become part of consumers' daily lives, negative information about a brand can instantly spread worldwide, which accelerates the speed of negative word-of-mouth (WOM) and intensifies the impact of a crisis event on the brand. A brand crisis has the potential to create immediate financial impacts like stock crashes and lawsuit costs, but it causes the loss of consumer trust that does fundamental and long-term damage to a brand. The literature on brand crises has been limited to investigating the effects of crises on consumer evaluations of companies (Dawar & Lei, 2009; Dutta & Pulling, 2011; Trump, 2014). Considering many fashion brands' current efforts toward CSR, we raise a new research question that has not been answered in the literature: "If a fashion company strives to build a strong CSR reputation through robust practices and then faces a crisis, do consumers consider it a betrayal? Or will having that CSR reputation rather be a strength that forms a foundation that will help the company bounce back?" Our research seeks to answer this question.

Brand crises can be categorized into two types (Brown & Dacin, 1997): *corporate ability* (CA) and *corporate responsibility* (CR) crises. CA crises are relevant to product-harm events, such as Johnson & Johnson's loss in a recent lawsuit, which held that its baby powder can cause ovarian cancer (BBC, 2019), while CR crises indicate a company's failure to meet social, environmental, or ethical obligations, such as the linking of fashion brands (e.g., H&M and The Gap) to child labor and sweatshop-like conditions in factories (Winn, 2015). With the goal of understanding consumers' reaction processes in brand crisis events by focusing on the role of pre-crisis CSR reputation in the post-crisis context, we develop and test a model that illustrates the effects of pre-crisis CSR reputation on consumers' perceived betrayal, resistance to negative information, and retaliatory behavioral intentions (support for punishment, negative WOM intention, and boycott intention). Our research is grounded in the justice-based theory (Brockner & Wiesenfeld, 1996; Grégoire & Fisher, 2008). We take account of the two types of brand

crises—CA and CR—to examine whether brand crisis types moderate the effects of pre-crisis CSR reputation on consumers' reactions. This research provides theoretical and practical insights into how fashion brands can be more resilient to crisis situations through their CSR efforts.

Methods

We went through a series of five studies in the U.S. The purpose of Study 1 was a brand choice. To measure a brand's pre-crisis CSR reputation, we needed a well-known fashion brand to which general consumers would likely have a certain stance toward before a crisis. Through a small-size study (32 college students), we chose Nike for its familiarity. The next three studies aimed to develop, refine and, validate the stimuli, which were artificial newspaper articles representing each brand crisis type. While the length and writing style maintained equivalently, each article's content had a different focus: the CA stimulus describes Nike's product quality issues, while the CR one is about Nike's involvement in labor issues. Throughout Study 2 (151 college students), Study 3 (68 college students), and Study 4 (143 adults through Amazon Mechanical Turk), we refined the stimuli and checked manipulation to ensure the following: scenario realism, information source (*New York Times*) credibility, equivalence of information seriousness and disturbance between CA and CR, and invariance of intended content relevance between CA and CR. In the main study (Study 5), an online survey was employed with a random, nationwide, adult sample purchased from Qualtrics. The highly valid final sample of 1,045 respondents (aged 18 to 84 with a median age of 43) had randomly assigned CA (n = 521) and CR (n = 524) groups. All established scales were used for construct measurements. Harman's one factor testing confirmed that common method variance was not a concern for this study. Multi-group structural equation modeling (SEM) was used for main model testing, while decomposition via a bootstrapping method was used for indirect effect testing.

Results and Implications

The results of multi-group SEM analyses showed that the CA group and CR group models were significantly different: $\Delta\chi^2 = 59.22^{**}$ $(\Delta df = 11)$. The examinations of critical ratios of paired-path parameters and chi-square differences suggested the following: when pre-crisis CSR reputation is stronger, consumers are less likely to feel betrayed due to a CA crisis ($\gamma = -.25^{**}$), but not due to a CR crisis ($\gamma = -.05$). Our hypothesis was that a consumer who believes more strongly that a brand is socially responsible and ethical will feel more betrayed, based on the justice-based theory positing that 'love turns into hate' (Grégoire & Fisher, 2008). Contrary to our expectations, the results demonstrated that CSR reputation can instead weaken perceived betrayal; it works significantly only in CA crises, not in CR crises. Another key finding is that a stronger pre-crisis CSR reputation leads consumers to be more resistant to negative information about the brand, which is only significant in a CR crisis ($\gamma = .19^{**}$), not a CA crisis ($\gamma = -.01$). The indirect effect test suggested that pre-crisis CSR reputation had significant indirect effects on support for punishment, negative WOM intention, and boycott intention. Together, the critical implication is that a fashion brand's efforts to be environmentally, socially, and economically

responsible and thus build a strong CSR reputation can actually protect the company in brand crisis situations. However, a brand's CSR reputation works differently depending on the type of crisis: when it is more about social, environmental, or ethical issues, a stronger CSR reputation can help consumers more strongly resist negative information about the brand. When the crisis involves the brand's product quality issues, its stronger CSR reputation can help consumers less feel betrayed. These results should reassure fashion brands that have committed to CSR practices to keep up with their efforts to build a stronger CSR reputation. For companies that are still reluctant to invest in CSR, the results of this research serve as important evidence for why that investment is worthwhile.

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