

# **CRISIS MANAGEMENT AND BRAND REPUTATION**

**Lakshmi S**

Research Scholar, Sathyabama University, Chennai, Tamil Nadu, India, Email:  
messagetolakshmi@gmail.com

**Dr. Muthumani S**

Research Guide, Sathyabama University, Chennai, Tamil Nadu, India. Email: drsmuthumani@gmail.com

## **ABSTRACT**

*Crisis management is a critical function. Failure can result in serious harm to stakeholders, losses for an organization, or end its very existence. Public relations practitioners are an integral part of crisis management. With the development of economic globalization, the increasingly obvious trend of the network as well as enhanced degree of product homogeneity, competitions among enterprises have turned to marketing competition, service competition and brand competition from quality competition and technological competition. More and more enterprises recognize that the brand situation has highlighted impact on all aspects of business. Brand reputation is the key for enterprises to win in the competitions. This article will discuss how to rebuild the brand reputation for a business.*

**Keywords:** Brand reputation, Crisis, Distraction, Consumers, Sales

## **INTRODUCTION**

Companies today face a stiff challenge in maintaining their brand positioning in the market. The tried and true formulae to create share of business behind brands are becoming irrelevant and losing traction with consumers. Brands run into crisis situations and the reasons vary. Sometimes the corporate themselves are responsible for precipitating the situation. On other cases, external issues contribute to the crisis which sometimes unfortunately leads the brands get negative publicity. Whatever be the cause, the marketer has to handle the situation with utmost care, so that only a minimum stain is left on the brand's image and a minimum strain results on its relationship with the customer.

A special form of a product harm crisis is where the negative event centers on one particular brand or set of brands belonging to the same company. When a brand crisis breaks out, consumers and other stakeholders (e.g., shareholders, the media and regulators) are likely to raise lot of questions about the brand's reputation like why the crisis happened. Who has to be blamed for? Is the event likely to happen again? What does the crisis signal about the brand? Brand reputation can be affected through the incidents in the long term where as in the short term it may be limited to lost sales and cost associated with the product recalls. In the long term the crisis helps competitors to snatch the consumers from the affected brands.

### **Causes of distraction- Scalability- Value added influencers**

A brand crisis is a distraction. Distraction comes from both external sources and internal sources. Distraction is mainly due to lack of ability to pay attention, lack of interest in the object, the great intensity, novelty or attractiveness of something other than the object. Marketers try to analyse the various causes of brand crisis rather than looking at pros and cons. Social media play a vital role when a crisis hits, to know about our current brand position in the market and it paves the way to react against a crisis and to move beyond it. It enables PR, customer service and other teams to understand exactly what's going on, in

real-time to measure the scale of the problem, understand how discussion is developing, influencers in the discussion, identify the individual messages getting the most attention.

Understand the ideas and linguistic associations people are making with our brand. So when crises have struck, we used the research platform to conduct survey take at best 24 hours to turn around. But with social media data, brands have reactions at their fingertips just seconds after they have been posted. Negative videos have gone viral and a barrage of inflammatory tweets and face book posts are being hurled. Rage spills over to other social networks and influential bloggers are decimating the brand reputation. Social media crisis is quickly spreading and the damage is widespread all over the market.

Social media platform will show not only the daily volumes but also the volume of discussion varies from hour by hour: is it accelerating? Or issue peaked? And what stage is the crisis at? The brand can also be benchmarked against typical brand volumes and sentiments to manage internal stakeholders.

Influencers are helping to shape the discussion, can be identified and analysed from three dimensions: who's most active and concerned and who's having the gaining influence through high levels of re-tweets and shares? With this we can use to identify where to focus customer service attention or PR contact as needed.

This can be done by viewing the individual messages making up the statistics and sorting them by visibility or by the level of reaction they are getting. This reveals exactly how influencers are phrasing the issue and responses is generating.

We have to follow few key principles based on the crises we have measured and analysed. The two key principles are "be open", and "keep a dialogue going". Our value is already escaped out of the brand control – so it's better to follow "no comment" approach allows to run away entirely. So the more we react the more opportunities we given to mock or criticize our brand.

## **REVIEW OF LITERATURE**

Crisis management has become a specialized activity in the domains of communications and public relations. Companies have come to recognize crisis communications capabilities as a vital part of their risk management and business continuity strategies (Weiner, 2006). Crisis is a turning point for better or worse. It is an unpredictable event that will lead to positive or negative results. The crisis often harms not only the people or the reputation of the organization but also the services, finances and organization as a whole (Fink 1986). A person in a crisis experienced a threatening or disturbing event, is in a vulnerable state, has failed to cope up and lessen the stress or trauma through customary coping strategies and thus enters into a state of disequilibrium. Crisis is an unstable or crucial time or state of affairs in which a decisive change is impending especially one with the distinct possibility of a highly undesirable outcome (Webster's Dictionary 1990). Brand faces many challenges like brand strength, world class culture, seeded marketing channels, service smart integration. A framework called brand chartering is presented mainly to tackle the challenges. First to create and communicate the brand, managing the brand organization and finally structuring the brand (Chris Mcrae, 1996). Greyser (2009) conducted a thorough research on brand reputation in the time of crisis. He reported that there are number of issues that lead reputational trouble in the areas

of corporate level marketing and corporate communications that may further be both external and internal. He also suggested the ways to overcome crisis. Similarly, Ulmer (2001) stated that crises is effectively managed through the establishment of good affinity with the stakeholders like consumers, shareholders, suppliers, intermediaries and management paves the way for pre-crises strategy for success.

An ethical brand enhances the firm's reputation such a reputation reinforces the brand in turn and any unethical behavior will severely damage or sometimes destroy the entire intangible asset. Ethical branding could provide the company with various advantages as a growing number of consumers become more ethically conscious (Ying Fan, 2010). Impact of crises on organizations and individuals has been stronger than ever. Corporate becoming more and more aware that crisis can and will happen to organization just like them. No company can escape from crises during its life cycle and during these crises situation that the battle to protect credibility in the eyes of stakeholders is most fierce. It takes many years to build to favorable organization reputation but only one single crisis to ruin it (Hobbs, 1995; Benson, 1988). John Rose, Senior vice President and Managing Director, the Boston Consulting Group addressed in his business book (Brand bubble) happens to be about brands. Any manager in any line of business must learn how to protect and nurture their most cherished asset. Brands are under attack and boardrooms need to pay attention (John Gerzema and Lebar, 2008). They propose a startling idea that the value of a brand lies not in the stability and consistency of its promise, but in its constancy of motion.

The crisis is may be generated by the management decisions but there are examples where crisis took place out of external factors, not exactly related to organizations decision. For example, terror attacks. An interesting research by Balakrisnan (2011) on Mumbai 26/11 terrorist attack on Taj Mahal Palace and Power Hotel reported that there were situations which were not in the control of management. He stated that word of mouth from past experience helps to rebuild the brand reputation and additionally positive stories should be spread through media to overcome brand burn.

## **RESEARCH METHODOLOGY**

### **1. Research objectives**

- \* To study how the brand crisis leading to Brand reputation
- \* To identify the techniques and measures adopted by the corporate to reduce the impact of poor reputation.

## **DATA COLLECTION**

Research methodology is the specification of method of acquiring the information needed to structure or solve the problem. Research methodology building up to date knowledge and to discover the new facts involved through the process of dynamic change in the society. The research was conducted at two stages where the initial stage composed of the literature review and the subsequent development of the questionnaire to collect data. The measure was developed by the researcher and then the collected data was evaluated by means of statistical techniques. The study on Crisis Management on Brand Reputation is restricted only to few variables of personal care products within south Chennai. A total of 104 respondents in the Chennai city were selected for the study. Convenience sampling method

has been followed for collecting the response from the respondents as the data was taken from the respondents who were willing to fill the questionnaire. Necessary statistical tools like Chi-square test, paired sample t-test, Linear multiple regression analysis, parametric Anova and diagrammatic representation has been used to analyse the data collected and the findings are as follows.

**ANALYSIS AND INTERPRETATION**

The collected data was tabulated for analysis purposes to draw interpretations. Both descriptive analysis and inferential statistical analysis were made. For descriptive statistics purpose percentage analysis was employed. On inferential analysis part chi-square test was used. Percentage analysis was used to find out the proportion of various sources for brand crisis. It has been found that 83% of the brand loses its identity and name because of influencers i.e. negative roomers. Re-tweets and the feedback were the main reason for the remaining 21% of the brand crisis.

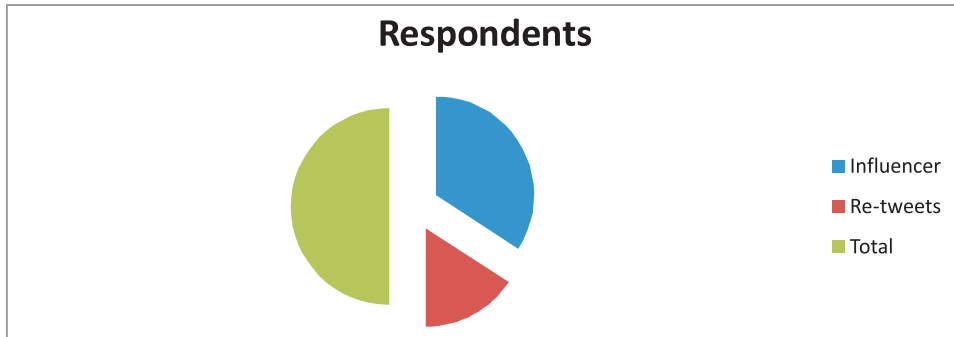


Fig.1: Influence’s and Individual message with biggest reach of Brand crisis

**Hypothesis for the study:**

To find out the relationship between brand crisis and brand reputation, chi-square test was applied. The null hypothesis was framed as under:

Ho1: There is no significant relationship between crisis and Brand reputation

**Table 1: Impact of crisis with Brand reputation**

**Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.363 <sup>a</sup>	2	.000
Likelihood Ratio	24.962	2	.000
Linear-by-Linear Association	19.610	1	.000
N of Valid Cases	104		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.88.

From the table we came to know that the 65% of the respondents were accepted that brand reputation is highly affected because of long term crisis but 39% of the respondents were rejected the argument because the brand reputation is affected not only because of crisis but also because of quality, stagnation in growth, Lack of technology implementation,

changes in taste and fashions of the customers and mainly because of some negative publicity. The key challenge for companies faced with a crisis is to restore consumer trust in the brand. On the other hand, it is one of the great opportunities for competitors to steal consumers away from the affected brand. A coordinated approach of management can only help an organization effectively to identify and anticipate potential issues and prevent crises from developing which influence their evolution and outcome.

Since the calculated value is greater than table value, so we reject null hypothesis.

**Paired T-Test for the Two Levels of sales – Brand crisis**

The paired t-test is used to find the significant difference between the means of two sales levels before and after brand crisis

$H_0$  – Sales level remains constant irrespective(before and after) of brand crisis

**Table 4.2: Paired Samples Statistics**

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Before crisis	10.6467	15	.81404	.21019
	After crisis	11.2333	15	.94239	.24332

**Table 4.3: Paired Samples Correlations**

		N	Correlation	Sig.
Pair 1	Before crisis & After crisis	15	.911	.000

It is found that the co-relation between the two sales level is very low ( $r=0.911$ ) and there is significant relationship between the two sales (before and after) of Brand crisis. ( $t=-5.815$ ). It gives the mean sales level before the brand crisis is 10.64 with a standard deviation of 0.81 and the mean sales level is 11.23 with a standard deviation of 0.94 after the brand crisis. So it is inferred that null hypothesis is rejected at 5% level of significance. If consumers blame the company for the product harm crisis, they are likely to switch over to the competing brands. On the other hand, if consumers blame themselves for a brand crisis, it will affect the sales and they are likely to do nothing when dissatisfied.

**Linear Multiple Regression Analysis**

This analysis enables to find the degree of relationship between several predictor variables and a dependent variable. In this analysis our own product, competitor product of branded items are considered as independent variables and the consumer behavior is considered as dependent variable.

**Table 4.4: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
diension0 1	.871 <sup>(a)</sup>	.758	.718	.31134

- a. Predictors: (Constant), competitors product, own Produ
- b. Dependent Variable: consumer behavior

**Table 4.5 ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.646	2	1.823	18.807	.000 <sup>a</sup>
	Residual	1.163	12	.097		
	Total	4.809	14			

- a. Predictors: (Constant), competitors product, own Productb.  
 b. Dependent variable: Consumer behaviour

Multiple correlation co-efficient  $r$  is 0.870. These three variables are correlated significantly. In ANOVA,  $p$ -value is less than 0.01. This reveals the variance in competitors product and own product (two independent variables) contribute significantly to the change in consumer behavior (dependent variable). In a competitive market, businesses will try to make their products different from the rest. So consumers can select the product that offers the right balance between price and quality. Consumers prefer our products that last longer or work better, better after-sales or technical support or friendlier and better service. Hence the behavior of the customers depends upon the brand value.

### **SUGGESTION**

Majority of brand disasters have been due to customers not receiving a response in good time. At least keep an eye on the twitter or news in general out of hours to identify any potential problems. It is important to tackle any problem head on before they escalate. So always acknowledge the complaint, apologies and escalate where necessary. It is impossible to predict the problem and issue that is going to arise during a brand lifetime. Formalize an escalation process for any new issues. Nothing damages a reputation more quickly than stalling, deceit and bamboozling. Acknowledge the problem, express concern. Express a sincere desire to co-operate with others to solve the problem. So, making a decision tree and mapping out any and all potential crises, as well as the steps that should be taken to respond and recover. In today line of communication it is essential to be prepared when dealing with crises. If we are able to get messaging out quickly and effectively with a solid plan of action, we will be that much closer to recovery.

### **CONCLUSION**

Today, a brand has nowhere to hide. Sadly most about brand are lag in momentum innovation and creativity, also poor performance indicators for brands that are not fully grasping new media and online. Companies that see marketing as cost centre, or have not properly aligned to build integrated marketing communications are also at risk. In contrast, best to capitalize in this environment. "Plan for the worst; hope for the best." As the crisis comes under control, a company should examine the impact the incident has had on its brands and reputation. If the brand has taken a hit, a company may need to give consumers a reason to trust them again.

- \* Making sure the brand experience lives up to the brand promise
- \* Brand to sustain its real value it can't just be different: it has to keep being different Consumers constantly re-evaluate brand for new innovation and reengaging. Creativity is the way to avoid the brand bubble.



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