

Weathering Product-Harm Crises

Author(s) / Journal:

Cleeren, Kathleen, Marnik G. Dekimpe and Kristiaan Helsen
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Competence Area:

Marketing mix effectiveness

Managerial Abstract:

Product-harm crises are a common problem in the marketplace. They can seriously hurt a firm's performance by leading to financial losses and image deterioration. To counteract the negative effects of product-harm crises, brands hope to capitalize on their equity and often use advertising to regain customers' lost trust. This study investigates how consumer characteristics and advertising influence consumer reactions to a crisis – more precisely consumers' first trial-purchase after a crisis. Real-life household-scanner data of 615 Australian households recording consumer purchases before, during and after a severe product-harm crisis are used. The brands under scrutiny are a strong and a weak peanut butter brand.

Results show that consumer characteristics moderate the negative effects of the crisis:

- both pre-crisis loyalty and familiarity have a positive impact on consumers' post-crisis trial rate (i.e. more loyal and more recent buyers seem to forgive more easily)
- heavy pre-crisis category users tend to purchase the affected brands sooner, except if they decided to decrease or stop their overall category usage decreased significantly during the crisis

Key takeaway:

Brand advertising was found to be effective in convincing consumers to return to the stronger brand, but not to the weaker brand. These results prove that strong brand equity can be highly beneficial for brands facing a product-harm crisis.

More info how to benefit from these learning's into R&D / your organization:

Send email to: Europanel / AiMark team, dr. Koll (oliver.koll@europanel.com)