Journal of Retailing and Consumer Services 16 (2009) 174–180

Contents lists available at ScienceDirect

Journal of Retailing and Consumer Services

journal homepage: www.elsevier.com/locate/jretconser

Product-harm crisis management: Time heals all wounds?

Aikaterini Vassilikopoulou [a,*], George Siomkos [a], Kalliopi Chatzipanagiotou [a], Angelos Pantouvakis [b]

[a] Department of Business Administration, Athens University of Economics and Business, 76. Patision Street, 10434 Athens, Greece
[b] Department of Business Administration, University of Ioannina, Pylinis 9, 45110 Agrinio, Greece

ARTICLE INFO

Keywords:
Product-harm crises
Time
Recalls
Crisis management

ABSTRACT

This paper focuses on product-harm crises and examines consumer responses associated with product defect in three time periods (i.e., 3 days, 3 months and 1 year after a crisis). An experiment was conducted based on three widely accepted- influences on product-harm crisis management (i.e., crisis extent, social responsibility and organizational responses). The fourth influencing factor, time, was introduced in the present study. The four-factor model for measuring the effectiveness of product-harm crisis management was tested with particular attention to the impact of time. Crises were described in scenarios for a fictitious mobile phone. The results demonstrate that the effects of a crisis are minimal a few months after the crisis has occurred. Consumers tend to "forget" about the crisis and its effects, especially in cases when the company is socially responsible, and when the company issues a voluntary recall of its product.

1. Introduction

A crisis is a critical situation which, if mishandled, can inflict serious damage on the organization (Carley and Lin, 1995; Perrow, 1984; Arpan and Pompper, 2003). From a management perspective, crises are "either low probability or high consequence events that jeopardize the most fundamental goals of an organization" (Weick, 1988). A crisis, having its roots in an organization's external and internal environment (March and Simon, 1958; Perrow, 1984), can be any unexpected event, such as a fire, a storm, a security breach, a labor strike and food poisoning (Miller, 1987).

A crisis can strike any company at any time. If the company does not respond to the crisis immediately, then the crisis escalates into a catastrophe (Davies and Walters, 1998). Regardless of their severity, crises pose a serious threat to companies. The factor that determines how well a company will withstand a crisis is its ability to respond to that crisis. Effective crisis management can control the negative publicity and protects the company's image (Stafford et al., 2002).

Although product-harm crisis incidents are now rampant, only a few research studies that have been conducted on the topic (e.g., Klein and Dawar, 2004). Although there are a very limited number of studies that have examined the time span between the primary signals of potential injuries and the actual date when the recall is issued (e.g., Standop, 2006) there are no previous studies about the impact of time on consumers' attitudes in a product-harm crisis situation.

Thus, the main aim of this paper is to investigate whether consumers eventually forget or simply ignore the product-harm crisis. More precisely, the central goal of the study is to extend the model, which measures organizational success in crisis handling by introducing a fourth factor, "time", which consists of three levels: 3 days, 3 months and 1 year after the crisis. For example, after how long would consumers buy a new product by a company that had gone through a crisis? Would they consider the company socially responsible a year after the crisis? The rest of the paper is organized as follows. The literature review will be presented first (Section 2) followed by the conceptual framework (Section 3) and the methodology (Section 4) sections. The results of this work follow (Section 5) and this paper concludes with the conclusions (Section 6) and suggestions for future research in Section 7.

2. Literature review

Product-harm crises are complex situations wherein products are found to be defective, unsafe or even dangerous (Dawar and Pillutla, 2000). Siomkos and Kurzbard (1994) define product-harm crisis as an "abrupt break of the product life cycle". Product-harm crises, which may erupt from various causes (e.g., manufacturer's negligence, product misuse, sabotage, etc.), could cause serious survival problems to the company. Regardless of their cause, product-harm crises result in vast financial costs for the company, negative effects on sales and even destruction of their corporate

* Corresponding author. Tel.: +30 2108203233.
E-mail addresses: katva@aueb.gr (A. Vassilikopoulou), gsiomkos@aueb.gr (G. Siomkos), khatzip@aueb.gr (K. Chatzipanagiotou), angelos@pantouvakis.eu (A. Pantouvakis).

0969-6989/$ - see front matter © 2008 Elsevier Ltd. All rights reserved.
doi:10.1016/j.jretconser.2008.11.011

image (Siomkos, 1999). During a product-harm crisis, consumers often receive negative information about the product and the company. As a result, after a crisis consumer attitudes will change negatively (Siomkos and Kurzbard, 1994). In order for the company to be able to bring the customers back to purchasing its products, certain immediate actions are necessary. Proactive product recall, victim compensation and accept responsibility for liability are some of these actions met in the relevant literature (Siomkos and Shrivastava, 1993; Siomkos and Kurzbard, 1994; Siomkos and Malliaris, 1992).

According to Elliott et al. (2005), a possible weakness of crisis management literature is rooted on its organization centrism. Consumer perceptions associated with the organizational responses to the crisis have received little attention. Empirical examinations, have been mainly focused on investigating the most important factors influencing crisis management, such as the amount and intensity of media attention (Weinberger and Romeo, 1989), the type of media coverage (Jolly and Mowen, 1984; Weinberger et al., 1991), the amount and degree of injuries (Mowen, 1980; Mowen and Ellis, 1981), the attention from regulatory bodies (Weinberger, 1986), the company's reputation (Siomkos and Shrivastava, 1993), the crisis type (Coombs, 1995; Mitroff and Pearson, 1993), the company's message (Griffin et al., 1991; Jorgensen, 1994,1996) and the company's response (Siomkos and Kurzbard, 1994).

Consumers' attitudes are the most important indicator for measuring the effectiveness of crisis management (Siomkos and Shrivastava, 1993). Reintroduction of a harmful product is a difficult procedure and requires appropriate corporate actions as well as consumers' desire for it. Effective crisis management involves the consumer's approval of the organizational response and consumer's persuasion that the product is safe again as the company has overcome the crisis (Siomkos, 1999).

Previous research on product-harm crisis has identified three major factors, which have a significant impact on consumers' perceptions and buying behavior: (1) the company's reputation (Siomkos and Shrivastava, 1993; Siomkos, 1999) and corporate social responsibility (Shrivastava, 1995; Fombrum et al., 2000), (2) the company's response to the crisis (Siomkos, 1999) and (3) the crisis extent (Mowen and Ellis, 1981).

Relevant literature supports that that well-known companies could more effectively overcome product-harm crises as a good reputation protects the company when a crisis hits (Jones et al., 2000; Mak, 2005). As Fombrun and VanRiel (2003) argue, a positive reputation could decrease the damages that may stem from the crisis. Moreover, Siomkos and Kurzbard (1994) and Siomkos and Shrivastava (1993) found that a highly respected company is regarded more favorably in cases of product-harm crises. Linked to reputation, research attention has also been paid to corporate social responsibility (CSR). According to Singhapakdi et al. (1995), a company ameliorates its social image through CSR. Consumers, in general, reward socially responsible companies via their repeated purchases (Luo and Bhattacharya, 2006) and tend not to prefer products produced by "unethical" companies (Vinten, 1998). Klein and Dawar (2004) found that CSR affects consumers' attributions of blame about product-harm crises, and thus, it could be regarded as an important factor in affecting consumers' attitudes and perceptions during crises.

Furthermore, organizational response has a major impact on consumers during product-harm crises. Shrivastava and Siomkos (1989) demonstrated that there are four basic organizational responses. (a) *Denial*: the company denies the responsibility for the harm and does not show any concern with consumers' welfare, (b) *Involuntary recall*: the company recalls its product after the order of an agency, (c) *Voluntary recall*: the company chooses to recall its product before the government or a governmental agency forces it to do so, and (d) *Super effort*: the company tries hard to communicate a responsible image. It recalls the harmful product immediately and compensates the victims. Moreover, the company informs the customers about how to return the defeat product and may offer special discounts and coupons of another product.

Severity of harm in a crisis is assessed in terms of the number and severity of injuries or deaths of people and animals, and harm to the environment. Studies reveal that a company in a high-injury crisis case is perceived less favorably than a company in a low-injury one (Mowen and Ellis, 1981). Other studies have proposed that severity of injury affects the placement of blame and responsibility (Tedeschi and Nesler, 1993; Kelly and Campbell, 1997). Severity has also an impact on the emotional response of stakeholders. More serious crises are more likely to have a more long lasting effect on stakeholders (Zyglidopoulos, 2001).

3. Conceptual framework and research hypotheses

The present study uses the model comprised by the three widely accepted factors which influence the effectiveness of product-harm crisis management, i.e., CSR, crisis extent and organizational response. Aiming at extending the model, the study introduces a fourth factor, "time", which consists of three levels: 3 days, 3 months and 1 year after the crisis.

Standop's (2006) study incorporates time in crisis management. He examined the impact of time span between gathering initial evidence of a crisis and the product recall. His findings demonstrated that time is a crucial factor as the more time elapses between the crisis occurring and the product recall, the harder is for the company to regain its customers' trust. However, the present study incorporates time in crisis management from a different perspective. It attempts to investigate whether time has an impact on consumers' general impression, perceived danger of the harmful product and purchase intention. As a result, the first research question of the current study could be expressed as follows:

RQ: Given the same extent of a product-harm crisis, organizational response and CSR, will time affect consumers' perceptions and purchase intention?

As literature review reveals, CSR has a positive impact on consumers' attitudes and perceptions during crises. According to Henderson (2007), CSR minimizes harm, promotes good causes and helps resolving outstanding social and environmental problems. Furthermore, Klein and Dawar (2004) conclude that CSR affects consumers' attributions of blame about product-harm crises. Other studies also agree that CSR reduces risk (Spincer, 1978; McGuire et al., 1988). Consequently, the first research hypothesis of this study is as follows:

H_1. Given the levels same crisis extent and organizational response, consumers will perceive a more socially responsible company as more successful in handling the crisis than a less socially responsible company in the three different time periods (i.e., 3 days, 3 months and 1 year after the crisis).

Shrivastava and Siomkos (1989) indicate that denial and involuntary recall are least favorable to consumers than voluntary recall and super effort. Moreover, they conclude that consumers are much more likely to form a positive opinion about the company and to buy a new product when the super effort response is used. Based on the above, the second research hypothesis is as follows:

H_2. Given the same levels of CSR and crisis extent, response consumers will perceive a company as more successful the closer