

THE KEY ROLE OF SINCERITY IN RESTORING TRUST IN A BRAND WITH A CORPORATE APOLOGY

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INTRODUCTION

How should a firm respond in situations where consumer trust has been shattered? Corporate apologies are a common response, but there is uncertainty regarding this being the best approach. Prior research has compared apology to alternative corporate response strategies without fully considering the elements that constitute an effective apology. We apply insights from the inter-personal relationships literature to an experimental examination of a corporate apology issued following a guilty plea to charges of misleading advertising. Structural equation modeling shows that perceived sincerity of the apology statement plays a central role in enhancing assessments of reputation and trust in the brand, minimizing brand damage. Excusatory statements and high stability both detract from sincerity, but corrective action reinforces it. Our findings provide important guidance for restoring reputation and regaining consumer trust.

BACKGROUND

Collapse of trust in a brand as a result of negative publicity is among a manager's worst nightmares; long-lasting damage to a firm's reputation can result in losses of revenue and market share. When the public perceives deception on the part of the company as the triggering event, these effects can be particularly severe (Schweitzer, Hershey, and Bradlow 2006; Wiles et al. 2010). Deceptive claims often lead to orders from regulatory authorities or courts to engage in corrective advertising in order to undo any mistaken beliefs created. This outcome is not only potentially hugely expensive, but can do further damage by leading consumers to feel "fooled or tricked" (Darke, Ashworth, and Ritchie 2008).

Conventional wisdom holds that public apology in response to accusations of corporate misconduct is one of the most important ways to restore a company's reputation (Fuchs-Burnett 2002). In contrast, Darke et al (2008) conclude that "an explanation for the misleading claim from the corrected firm was successful in removing the ill effects of correction, whereas apologies and denials were less effective." In view of literature concerning the negative impact of explanations (technically termed 'accounts') in the sociology literature, this assertion is very surprising – and we are sceptical. Before reaching a conclusion that apology should be avoided and that an account would normally suffice, we see an urgent need to investigate constituents of an apology in order to determine what is optimal as a component of corrective advertising in order to enhance a firm's reputation. Our study reports the development of a scale for measuring the perceived sincerity of an apology and the results of an experiment designed to clarify the constituents and consequences of an effective corporate apology.

METHODOLOGY

Scale Development:

The absence of a reliable and accurate measure of perceived sincerity in apologies has inhibited research in this area. To redress this situation, we have developed a measure for perceived sincerity in an apology using Churchill's (1979) guidelines. Interpersonal psychology and consumer behaviour literature was screened to identify an item pool of twenty four to encompass the broad themes identified in the literature of 'genuinely meant', 'truthful', and 'intention not to offend'. An extended focus group selected: sincere/insincere; honest/dishonest; genuine/not genuine; not manipulative/manipulative; truthful/untruthful; true/untrue; deceptive/not deceptive; frank/not frank. This list of eight was then presented to three academics (two from Marketing and one from English) to assess the face and content validity of the items. These experts identified common-meaning within the item pool, and reduced the item pool to three polarized items: sincere/insincere; genuine/not genuine; honest/dishonest. These items were administered in a questionnaire to 284 second- and third-year university students. ($\alpha = .90$).

Empirical Study of Sincerity and Apology

The context for our study is an internationally-publicized case of deception in advertising involving GlaxoSmithKline (GSK), one of the world's leading pharmaceutical and health product companies. In March 2007, GSK pleaded guilty in a New

Zealand court to charges of misleading health claims in regard to misleading advertising and incorrect labelling of its blackcurrant fruit drink branded Ribena. The case emerged as a result of a science fair project conducted by two 14-year old schoolgirls, who measured the vitamin C content of several brands of fruit drink. Ribena drinks were widely advertised as being "made from natural blackcurrants that have four times the vitamin C of oranges". These students discovered that Ribena ready-to-drink products had less than one-third as much detectable vitamin C as comparable orange-based drinks. The Judge ordered a financial penalty of NZ\$227,500 (approximately US\$186,000) and prominent publication of a court-approved public notice in newspapers. This judgment received much media attention internationally. GSK in New Zealand voluntarily produced a 60-second television apology featuring the GSK (NZ) Managing Director. This apology was screened on 45 occasions on all three national television channels at peak viewing times over a two-week time period. (Further details are provided in (Twomey, Knight, and McNeill 2011).

In order to identify the antecedents and consequences of consumers' perceptions of sincerity in a corporate apology, we experimentally manipulate GSK's actual television apology, and measure subsequent ratings and opinions. We evaluate the importance ascribed to sincerity relative to other potential determinants of consumers' responses, such as attributions of responsibility and blame, and prior affective commitment to the brand (Ahluwalia, Burnkrant, and Unnava 2000). Moreover, we analyze the determinants of sincerity in an apology by drawing on sociology and interpersonal psychology literature. We develop a conceptual model to integrate various ideas from these fields, drawing on Attribution Theory, Costly Signalling Theory, and theoretical understanding of consumer trust in brands. From our findings, we outline theoretical and managerial implications, and draw conclusions about the necessary components for an effective and successful corporate apology.

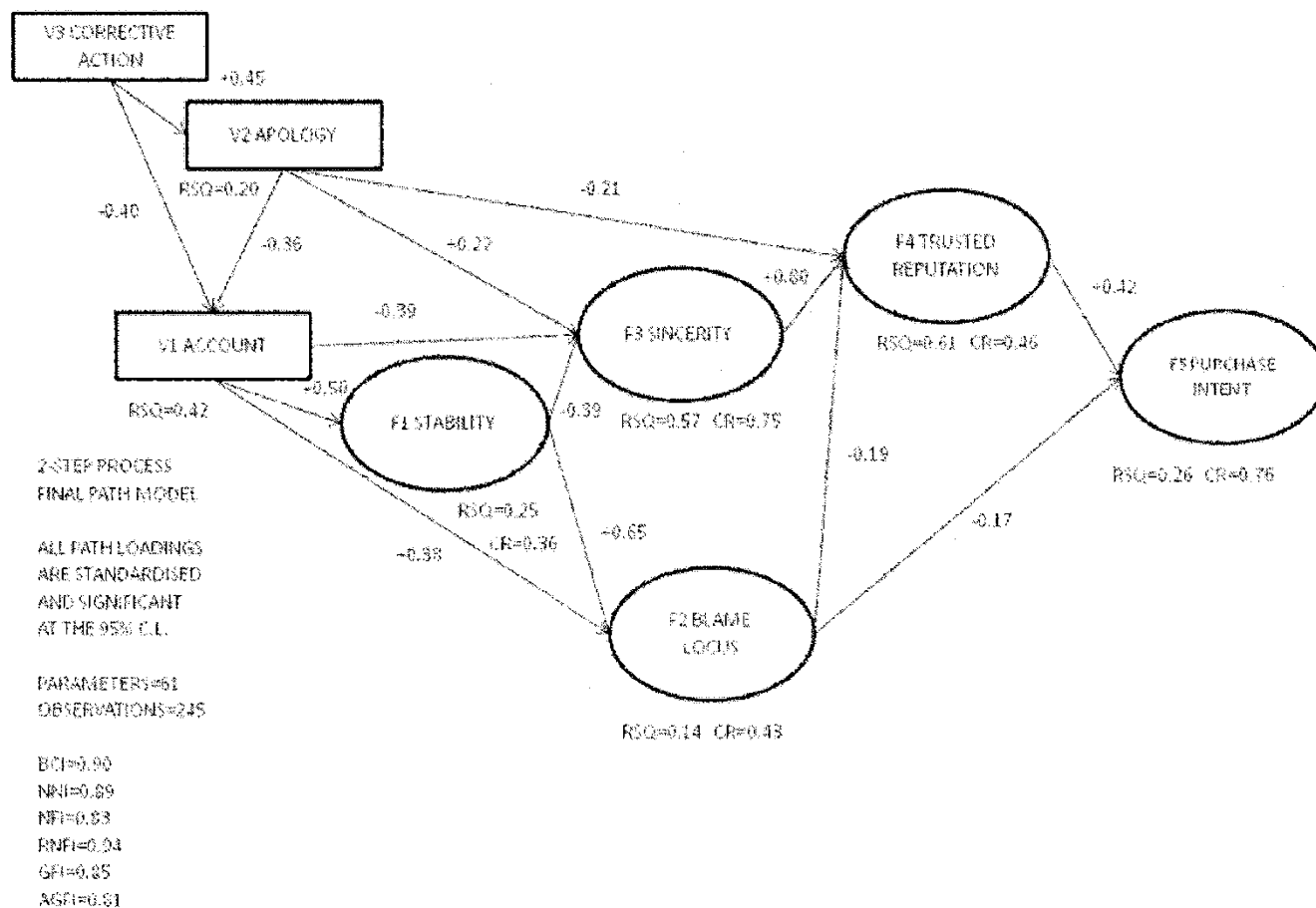
Different variants of the video were presented to tutorial groups of between eight and 19 participants from a total of 284 second-year and third-year business students. The manipulated variables in this experiment were: the type of apology (an explicit 'apology'; account; or corrective action); the three attribution domains; and prior disposition towards the brand. The three attribution domains were measured using 7-point rating scales from Klein and Dawar (2004). Five scales were employed: stability, perceived sincerity, trusted reputation, future purchase intention, and blame. In addition three manifest items were included in the model, one independent variable ('Corrective Action'), and two dependent variables ('Apology' and 'Account'). Stability was measured using three items from the 'Stability of Behavior' scale from Klein and Dawar (2004) ($\alpha = .61$). Reputation was measured using Coombs and Holladay's (2002) five-item Organizational Reputation Scale, which is an adaptation of McCroskey's (1996) Ethos scale ($\alpha = .81$). Trust in the brand was measured using the four-item Trust in Brand Scale from Chaudhuri and Holbrook's (2001) study on brand trust, loyalty, affect and performance ($\alpha = .77$). Exploratory factor analysis revealed that both the Organizational Reputation and Trust in Brand scales, although developed independently, reliably measured the same underlying unidimensional construct; combining them forms a nine-item scale which we call 'Trusted Reputation' ($\alpha = .87$). Purchase intention was measured with a three-item semantic differential scale ($\alpha = .89$) (Lafferty and Goldsmith 1998; Yi 1990). Blame was measured using: (a) a three-item 'locus of the behavior' scale from Klein and Dawar (2004), (b) Locus of the blame, with eight items allocating the blame amongst four potentially causal agents (media, consumers, Ribena, and the two schoolgirls), and (c) a single measure of perceived controllability by GSK. Exploratory factor analysis supported the retention of eight of the 12 items ($\alpha = .84$) as a composite measure, which we term 'blame locus'.

RESULTS AND DISCUSSION

Structural Equation Modelling followed a two step procedure based on the approach recommended by Andersen and Gerbing (1988). In the first step, confirmatory factor analysis was used to develop a measurement model that demonstrated an acceptable fit to the data. In step two, the measurement model was modified so that it came to represent the theoretical causal model of interest. This theoretical model was then tested and revised until a theoretically meaningful and statistically acceptable model was found (Figure).

With Comparative Fit Index = 0.90 and Non Normed Fit Index = 0.89, this model is acceptable and displays adequate fit indices. The ratio of model chi-square to model degrees of freedom for this final theoretical model, at 2.1:1, is close enough to the critical value of 2:1. Bootstrap analysis, using both Gaussian- and hybrid-theory bootstrap methods, was performed to (a) confirm the lack of bias in the estimated path loadings, and (b) to estimate the post-hoc type I and type II error rates for the individual path loadings and the combined model. This confirmed that the final model was reliable. Thus this model is deemed the 'accepted final theoretical model'.

Figure. Final theoretical model



Following the salient causal pathways, we note: (a) the apology has a direct, but relatively small, negative impact on trusted reputation (at -0.21 standardised path loading, it is close to the smallest significant loading in the final model). (b) This small direct negative impact can be almost cancelled out and the negative impact of a crisis minimised by ensuring the response is perceived as sincere, honest and genuine, and refraining from giving an excuse. The indirect impact of sincerity, without any suppressing influence of an excuse (V1 'Account') on purchase intent ($0.42 \times +0.80 = 0.34$) equalises the combined negative impacts of F2 ('Blame Locus') ($-0.19 \times +0.42 + -0.17 = -0.25$) and V2 ('Apology') ($-0.21 \times +0.42 = -0.09$), which amount to an overall negative impact of -0.34. Thus the net impact of a sincere apology with corrective action, without an account, during a crisis is to almost neutralize the impact of the original crisis. (c) The items measuring F4 ('Trusted reputation'), the only construct with a direct positive impact on purchase intent, do not lend themselves to helpful short-term interventions following a scandal, but rather comprise long term positioning goals for the brand. (d) All other influential items and constructs have a negative impact on F5 'Purchase intent', either directly (F2 'Blame Locus'), or indirectly (V1 'Account' and F1 'Stability') either by suppressing desirable F3 ('Sincerity') and consequently F4 ('Trusted Reputation') or by reinforcing undesirable F2 ('Blame Locus'). Of these, V1 ('Account'), is the most damaging, as it has multiple cumulative negative indirect impacts on purchase intent, easily outweighing the positive cumulative effects of a sincere apology and corrective action. This net negative impact includes: the negative impact of an account on the effectiveness of the apology itself, and all the 'downstream' linkages via sincerity and trusted reputation. Also, accounts increase perceptions of blame locus and stability. Stability in turn suppresses perceptions of sincerity and reinforces blame locus, both in turn suppressing purchase intent.

Market corroboration: The results reported here provide direct evidence suggesting that the GSK corporate apology failed in certain fundamental regards. As a way of corroborating our findings, we sought to determine whether the sales of Ribena ready-to-drink (RTD) products recovered after the apology, using supermarket scanner data. Cleernn et al. (2008, p.263) point out the importance of using this triangulation method for providing "greater confidence in the robustness of lab results

if they are proven to also hold in less clean real-life settings." Sales fell dramatically in early 2007, immediately after the guilty plea and fine. Since mislabelling the vitamin C content did not put consumers at risk of harm to their health, the fall in sales can be reasonably attributed to loss of trust in the brand. Importantly, sales failed to recover despite extensive efforts to placate the public, including the unsuccessful corporate apology described in this article, and an extensive informative print media campaign in the following month. Despite the efforts of GSK to remedy the technical problem in the Ribena RTD drinks, and reducing the price, these results indicate that the consuming public became sceptical of the product and that this mistrust may be long-lasting. From a branding point of view, it is important to note that sales of the Ribena syrup product, which never had a technical problem regarding vitamin C, suffered just as badly as the RTD product. GSK did not avoid negative spill-over (Lei, Dawar, and Lemmink 2008) to other (unaffected) products bearing the same Ribena brand.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Several clear implications emerge from the findings: for a corporate apology to secure a favourable outcome, it must be perceived as sincere. An explicit unreserved apology statement enhances perceived sincerity. Any hint of justification, excuse, or denial of responsibility is likely to harm perceived sincerity, and may end up doing more damage than making no apology at all. While these implications may seem consistent with received wisdom, it is clear that formulators of public apologies have great difficulty resisting the temptation to add elements of excuse.

Our findings suggest that, to minimize reputational and financial damage, GSK should have apologized unreservedly. From our results, it seems that the undoing of GSK's apology arose from the inclusion of elements that attempted to excuse their behavior and minimize culpability. Companies determined to repair their reputation and brand image can learn from this example, and apply the results of this research to take far more effective action than did GSK. As recently advocated by Johar, Birk and Einwiller (2010, p.60) "brand advertising and public relations activities should accompany or follow the apology, without seeming to excuse the transgression in any way."

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Additional references available on request