MASTER THESIS – EXPOSÉ

Post-Crisis Response Strategies: A Combined Model to Manage Brand Crises

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ABSTRACT

Title: Post-Crisis Response Strategies: A Combined Model to Restore Brand Equity

Keywords:
Crisis response strategies; Brand crisis; Brand equity; Situational Crisis Communication Theory; Nature of the crisis; CSR; Crisis moderators.

Background:
Brand crises are unexpected events negatively affecting a brand’s perceived ability to deliver expected benefits and consequently reducing brand equity. Post-crisis response strategies may be implemented by companies in their effort to restore brand confidence and diminish the effect of reputational threat. Hence, they act as a critical determinant of the actual impact of the crisis on consumers’ evaluations and consequently on brand equity. In order to help crisis managers in this challenging task, previous studies in the field of crisis management have conceptualized several models and theories providing mechanisms to anticipate consumers’ reactions to a crisis and proposing different approaches for the company to respond. A contingency-based view suggests that the effectiveness of a crisis response depends on various contingent factors, which may mediate and moderate consumers’ post-crisis brand evaluations. Thus, moderators such as brand familiarity, a company’s reputation for CSR activities and brand identification may be enhanced and exploited by companies in order to implement a more appropriate and cost-effective response strategy.

Purpose:
The aim of the study is to propose a new combination of the three response strategies proposed by the Situational Crisis Communication Theory (SCCT) based on a different segmentation of nature of the crisis, namely performance-related vs. values-related crises. Furthermore, CSR’s moderating effect on consumers’ brand evaluations will be tested in order to assess its impact in terms of selected response strategy.

Method:
Data will be collected through a quantitative study designed with Sphinx Software. Projective techniques will be used, i.e. different scenarios will be presented to respondents previously divided into groups. The survey will target male and female consumers over 16 and will be spread through the Internet.
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List of Abbreviations

CSR          Corporate Social Responsibility
CA           Corporate Ability
SCCT         Situational Crisis Communication Theory
CBBE         Customer-Based Brand Equity
i.e.         id est
e.g.         exempli gratia; example given
vs.          versus

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1. INTRODUCTION

1.1. Background and Problem Statement

It is not a matter of *if* a crisis will affect a brand, but more *when* it will happen. Brand crises are unexpected events negatively affecting a brand’s perceived ability to deliver expected benefits and consequently reducing brand equity (Ahluwalia, Burnkrant, & Unnava, 2000; Dawar & Lei, 2009; Dawar & Pillutla, 2000; Dean, 2004; Dutta & Pullig, 2011; Pullig, C., Netemeyer, R. G., & Biswas, A., 2006). As brands represent a key asset for market-oriented firms, brand-related adverse events may result in negative consequences affecting several aspects of the whole company and damaging the overall performance. In particular, as they are generally featured by intense media coverage, hence well-publicized (Siomkos & Kurzbard, 1994), brand crises are very likely to result in negative publicity (Dean, 2004). Therefore, expected consequences are a weakened company’s reputation (Coombs, 2007), poorer relationships with consumers (Tsarenko & Tojib, 2015) and a reduced brand equity, i.e. due to negative impacts on brand confidence and a reduced likelihood of brand consideration and choice (Dutta & Pullig, 2011), which would eventually harm financial performance (Dawar & Lei, 2009; Laufer & Coombs, 2006).

Post-crisis communication reactive measures may be employed by the entity in its effort to restore brand value and image, and diminish the effect of reputational threat (Benoit, 1997; Coombs, 2007; Coombs & Holladay, 2002). Hence, through the implementation of effective crisis management strategies, companies attempt to restore brand confidence, minimize consumers’ dissatisfaction and maximize the chance of repurchase intentions, customer loyalty, positive word-of-mouth and forgiveness for the transgressions generated by the crisis (Janssen, Sen, & Bhattacharya, 2015; Tsarenko & Tojib, 2015). Models and theories have already been conceptualized in order to guide crisis managers and practitioners in the selection of the most appropriate strategy to manage a specific crisis situation. Among them we cite the Image Restoration Discourse Theory (Benoit, 1997), the Corporate Communicative Response Model (Bradford & Garrett, 1995), and the Situational Crisis Communication Theory (Coombs, 1995, 2007; Coombs & Holladay, 2002). They provide mechanisms to anticipate consumers’ evaluations and reactions to a determined crisis and propose a series of different approaches for a company to respond. As empirical evidence advocates, meeting consumers’ expectations is imperative for a corporate response strategy in order not to incur in negative fallouts. A contingency-based view suggests that the effectiveness of a crisis response depends on contingent factors featuring every situation and mediating consumers’ post-crisis evaluations (Dawar & Pillutla, 2000), namely reducing the negative impact on company and/or brand resulting from the involvement in a crisis event. Moderation is the ability of an independent variable to strengthen and/or change the direction of its relationship with the independent variable. Conversely, mediation focuses on how a
treatment effect is produced (Muller, Judd, & Yzerbyt, 2005). For example, severity and relevance, as well as nature of a crisis have been proven to serve as mediators of consumers’ perceptions, whereas brand familiarity, awareness of a company’s CSR activities and brand identification play a role of moderators of the crisis effects (Dawar & Lei, 2009).

Thus, corporate response acts as a critical determinant of the actual impact the crisis will have on consumers’ evaluations and consequently on brand equity (Dawar & Pillutla, 2000; Keller, 1993). The company’s purpose is to find the most appropriate and cost-effective response which will restore consumers’ brand confidence (Dutta & Pullig, 2011).

1.2. Research Questions

The present work considers the brand as basic unit of investigation. Nevertheless, not all references used to develop the theoretical framework were concentrating on brands, but on corporates and organizations. This is not colluding with our research: in fact, very often brands and corporates are strongly interrelated, and if a crisis involves a corporate’s brand, the corporate or organization are involved themselves. Nevertheless, consistency of any source presenting a different basic unit of investigation with the purposes of this study was always verified. Obviously, the basic units of each consulted study were maintained and not changed into a different one (i.e. brand), which would have resulted in a severe violation of the source. Hence, the reason why we refer to brands, corporates, companies and organizations in the present work is consistency and compliance of the terminology employed by all sources.

The aim of this study is to apply the differentiation between performance-related and values-related crises conceptualized by Dutta and Pullig (2011) to the Situational Crisis Communication Theory (SCCT) (Coombs, 2007; Coombs & Holladay, 2002) and to match the proposed response strategies, i.e. Denial, Diminish and Rebuild, to this different segmentation of the nature of the crisis. In particular, we perceive that values-related crises have not been given enough consideration in the SCCT, hence further research is required.

Moreover, SCCT do not provide any information regarding the impact of CSR records on the decision-process of the appropriate response strategy to be implemented, despite the fact that it recognizes two intensifying factors, i.e. crisis history and prior relation reputation, as triggering an upward or downward adjustment in the crisis response choice. Hence, a second aim of this work is to assess whether CSR can be considered as a third intensifying factor substantially impacting adjustments along the defensive-accommodative continuum.

Thus, the Research Questions the present work aims to investigate are:
- Which will be the most effective SCCT strategy in recovering brand confidence and reputational damage as well as in preventing consumers’ negative behavioural intentions in case of performance-related vs. values-related crises?

- How will a company’s positive vs. negative CSR reputation influence consumers’ evaluations and identification with a brand? Which are the managerial implications of this consideration in terms of selected response strategy?

### 1.3. Contributions and Managerial Implications

The present study will contribute to the field of Crisis Management by critically evaluating the effects that more recent findings might have on an existing theory, namely the Situational Crisis Communication Theory (SCCT). The elaborated insights will help crisis managers and practitioners prepare contingency plans that would make it possible for a company to react appropriately and efficiently when a crisis occurs and would increase the chances of effective crisis management.

The appropriate response strategy will be selected on the basis of the amount of reputational damage a crisis may potentially inflict: the higher the potential damage, the more accommodative the response strategy. Nevertheless, recognizing contingent factors playing mediating and moderating roles may allow an implementation of a less accommodative, i.e. more cost-efficient strategy by exploiting and enhancing them. In other words, maximizing the investment by reaching equal effectiveness and avoiding undue costs. Moreover, legal and financial liabilities incur with the application of highly accommodative strategies, which imply public acceptance of responsibility for a crisis, thereby weakening a company's legal position in case of a lawsuit (Coombs & Holladay, 2002). Finally, some mediators (e.g., CSR) may only be employed if already applied in the pre-crisis situation, thus should be regularly implemented and promoted to increase consumers’ awareness.

The present paper will be structured as follows: First, the conceptual framework and hypotheses will be presented. Secondly, a literature review including the main references will be provided. Finally, the methodology applied to elaborate the experiment will be explained.
2. THEORETICAL FRAMEWORK AND HYPOTHESES

The present chapter aims to provide an overview of the most relevant contributions to the Crisis Management field, upon which the present study is built. Hypotheses will be presented at the end of the subsections in order to assure consistency and clarity to the structure of the present work.

2.1. Attribution Theory, Discounting Principle and Attribution Model

The Attribution Theory (Kelley, 1973; Kelley & Michela, 1980) represents one of the most important bases upon which several theories and models in the field of Crisis Communication and Management are built (e.g. Coombs, 2007; Coombs & Holladay, 2002; Dean, 2004; Klein & Dawar, 2004; Laufer & Coombs, 2006). According to the Attribution Theory, consumers try to find underlying causes and explanations for events they observe with the purpose of understanding and establishing a sense of control over the surrounding environment (Dean, 2004). This proposition is relevant for the considered field, as it applies to consumers’ tendency to evaluate available information upon which they subsequently draw conclusions regarding the entity, organization or person to be blamed. Thus, it represents an effective mechanism for anticipating consumer reactions to crisis response strategies (Laufer & Coombs, 2006). For example, consumers tend to attribute a negative event to the company being supposed to be responsible and hold it liable for all consequences and outcomes of its actions, above all in case of absence of any further explanations. In fact, a corollary of the Attribution Theory is the Discounting Principle (Dean, 2004; Kelley, 1973), which states that if an alternative, plausible explanation is provided, a perceived causal inference will be discounted. Hence, if a company does not implement any crisis response, it is likely to be held responsible for any outcome (Bradford & Garrett, 1995; Dean, 2004).

Another fundamental contribution dealing with causal ascriptions and being in line with the Attribution Theory is the Attribution Model developed by Bernard Weiner (1985). As stated in Weiner’s Model, responsibility is generally assigned when events occur, especially in case they are sudden and negative. Three causal dimensions of attribution aiming to assign responsibility or blame are conceptualized: (1) the locus of the behaviour, i.e. the crisis trigger, which can be internal or external to the actor, namely the company; (2) the stability of the behaviour (unchanging or temporary); and (3) the controllability of the behaviour, that is the level of the actor’s control over the event. The model represents an effective tool to predict observers’ reactions and attributions of responsibility: in case of internal locus combined with a stable and controllable behaviour, consumers tend to attribute to the actor responsibility for the negative event, and subsequently they are likely to address negative behaviours towards it (e.g., blame or anger). Conversely,
external factors will be assigned liability in case of external locus associated with temporary and uncontrollable behaviours (Klein & Dawar, 2004).

2.2. The Situational Crisis Communication Theory (SCCT)

Several theories and models have been developed to help managers and practitioners manage the organizational reputation when threatened by a corporate crisis, such as the Image Restoration Discourse Theory (Benoit, 1997), the Corporate Communicative Response Model (Bradford & Garrett, 1995), and the Situational Crisis Communication Theory (Coombs, 1995, 2007; Coombs & Holladay, 2002). We will concentrate on this last model, without forgetting, though, that previous studies and findings have influenced following articles and results.

The Situational Crisis Communication Theory (SCCT) is defined as ‘a comprehensive, prescriptive, situational approach for responding to crises and protecting the organizational reputation’ (Coombs & Holladay, 2002, p. 167). This theory is characterized by the fact of being situation-dependent, as it states that the response strategy an organization should choose and implement depends on the crisis situation (Coombs, 2007). In fact, it organizes crisis situations in thirteen different types, matches the appropriate response strategy to each of them, and provides a mechanism to predict stakeholders’ reactions towards the organizational reputation (Coombs, 2007). According to Coombs (1995), protecting the organizational reputation is the main objective of crisis response strategies, which in this sense aims to (1) shape stakeholders’ attributions regarding the crisis; (2) change their perceptions regarding the organization affected by the crisis; (3) reduce the negative effects generated by the crisis.

As previously mentioned, the SCCT has its roots in the Image Restoration Response Theory (Benoit, 1997), which articulates five different possible crisis response strategies (namely, Denial; Evasion of responsibility; Reducing offensiveness of the event; Corrective action; Mortification) and provides a mechanism to anticipate stakeholders’ reactions to the crisis. Another important contribution to SCCT was given by the Attribution Theory (see Subsection 2.1.).

The decision-making process which will result in the choice of the appropriate response strategy is based on evaluations regarding not only the crisis type, but also the initial crisis responsibility, the organization’s crisis history and the prior relationship reputation (Figure 1). These factors are of significant relevance, since they shape the reputational threat level, which is defined as the amount of damage that may affect the organizational reputation due to the effects of a crisis, if no action is taken by the organization (Coombs, 2007). The initial crisis responsibility is defined as the extent to which organizational actions are believed by observers to have caused the crisis (Coombs, 1995). The perceived crisis responsibility is negatively related to the organizational reputation, which means that stakeholders’ perceptions of the organization’s reputation decline as
their attribution of crisis responsibility to the organization increases (Coombs, 2007). The second step in assessing the reputational threat level is evaluating the two intensifying factors, namely crisis history and prior relation reputation. Crisis history regards a consideration on whether the organization has already had similar crises in the past, which in an affirmative case would suggest the observers that the entity has an ongoing problem that has never been addressed in the appropriate way (Martinko, 2004). Prior relation reputation is related to the actual or perceived relationship that the company has established with stakeholders in other contexts (i.e. if they feel they have been treated fairly or badly); A poorly perceived stakeholders-organization relationship negatively affects the organizational reputation (Porritt, 2005). Crisis history and prior relation reputation may be detrimental to the company and affect the reputational threat level both directly and indirectly (through intensified attributions of crisis responsibility) (Coombs, 2007). According to the Affect-Behavioural Intention Proposition, an increase in the intensity of negative feelings towards the organization, such as expressions of anger and schadenfreude, results in a decrease in likelihood of stakeholders’ supportive behavioural intentions (i.e. using the organization’s products or services) and in an increase in likelihood of negative consequences, such as stakeholders’ engagement in negative word-of-mouth and weakened interactions between the two parties.

SCCT provides a list of thirteen crisis types (Table 2) which have subsequently been grouped into three clusters of similar crises. The discriminating factor according to which such classification was constructed is the similarity of attributions of crisis responsibility by crisis type (Coombs, 2007). The result has a relevant managerial implication, as it helps crisis managers develop crisis portfolios, namely crisis management plans including similar crisis response strategies to address different crisis types belonging to the same cluster. The three clusters are: (1) victim cluster, including crisis types negatively affecting both organization and stakeholders; (2) accidental cluster, in which stakeholders recognize that the crisis was caused by unintentional actions by the organization; (3) preventable cluster, grouping crisis types characterized by the

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Figure 1 - Crisis Situation Model of SCCT (Adapted from Coombs, 2007).
perception of the organization’s intention to place stakeholders at risk, for example by violating laws and regulations or by not preventing foreseeable negative consequences linked to its actions.

Ten crisis response strategies have been developed (Table 1); They aim to recover reputational damage, to reduce negative effects and to prevent stakeholders’ negative behavioural intentions (Coombs, 2007). They can be ordered along an adapted version of the Defensive-Accommodative Continuum (McLaughun, Cody, & O’Hair, 1983) ranging from defensive strategies, first focusing on the organizational interests, to accommodative strategies, prioritizing victim concerns. According to SCCT, the crisis response strategy must be as more shifted towards the accommodative range limit as the perceived crisis responsibility increases. In other words, the level of accommodation involved in the response strategy is directly correlated to crisis responsibility, as this is itself directly related to reputational damage (Coombs, 2007). Four main groups of crisis response strategies have been identified according to the organizational perceived acceptance of crisis responsibility, namely (1) Denial response strategies, attempting to remove any connection that relates the organization to the crisis; (2) Diminish response strategies, aiming to reduce the organization’s connection to the crisis and/or to diminish negative stakeholders’ perceptions of the crisis, in order to reduce its harmful effects; and (3) Rebuild response strategies, attempting to increase the organizational reputation level by offering material and/or symbolic forms of aid to the affected party; (4) Bolstering strategies, which are secondary response strategies and are used to enhance the effect of the three primary strategies (Coombs, 2007).

<table>
<thead>
<tr>
<th>Four Response Strategies Groups</th>
<th>Ten Crisis Response Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DENIAL</strong></td>
<td>Attack the Accuser</td>
</tr>
<tr>
<td></td>
<td>Denial</td>
</tr>
<tr>
<td></td>
<td>Scapegoat</td>
</tr>
<tr>
<td><strong>DIMINISH</strong></td>
<td>Excuse</td>
</tr>
<tr>
<td></td>
<td>Justification</td>
</tr>
<tr>
<td><strong>REBUILD</strong></td>
<td>Compensation</td>
</tr>
<tr>
<td></td>
<td>Apology</td>
</tr>
<tr>
<td><strong>BOLSTERING</strong></td>
<td>Reminder</td>
</tr>
<tr>
<td></td>
<td>Ingratiation</td>
</tr>
<tr>
<td></td>
<td>Victimage</td>
</tr>
</tbody>
</table>

The SCCT research provides eight guidelines elaborated on the basis of empirical evidence, which would help crisis managers and practitioners in the decision-making process of the adequate crisis response strategy (Table 2).
<table>
<thead>
<tr>
<th>SCCT Crisis Response Strategy Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> In case of no history of similar crises and neutral or positive prior relationship reputation, informing and adjusting information (Bolstering strategies) may be sufficient in case of crises with minimal attribution of responsibility, namely belonging to the victim cluster.</td>
</tr>
<tr>
<td><strong>2</strong> Victimage may be implemented as part of the response to crisis types belonging to the victim cluster.</td>
</tr>
<tr>
<td><strong>3</strong> In case of history of similar crises and/or negative prior relationship reputation, the victim cluster should be addressed through Diminish crisis response strategies.</td>
</tr>
<tr>
<td><strong>4</strong> In case of no history of similar crises and neutral or positive prior relationship reputation, the accident cluster should be addressed through Diminish crisis response strategies.</td>
</tr>
<tr>
<td><strong>5</strong> In case of history of similar crises and/or negative prior relationship reputation, the accident cluster should be addressed through Rebuild crisis response strategies.</td>
</tr>
<tr>
<td><strong>6</strong> Rebuild crisis response strategies should be used to address any crises belonging to the preventable cluster, regardless of crisis history and prior relationship reputation.</td>
</tr>
<tr>
<td><strong>7</strong> Rumour and challenge crises should be addressed through Denial crisis response strategies.</td>
</tr>
<tr>
<td><strong>8</strong> Mixing several types of crisis response strategies will reduce the effectiveness of the overall response, therefore consistency should be always guarded.</td>
</tr>
</tbody>
</table>

Results from experimental applications of SCCT suggest that Denial crisis response strategies are effective in eliminating stakeholders’ negative affect only in case they accept the assumption that there is no crisis. If this is not the case, strategies from the other two primary groups should be implemented. A consideration that should be addressed regards the budget availability, as Rebuild strategies are the most expensive (Coombs, 2007; Dutta & Pullig, 2011), whereas Diminish response strategies are much easier to manage and less expensive to finance. Furthermore, implementing an overly accommodative strategy when not required may result in a worsening of the situation, as it may induce stakeholders to believe that the crisis is actually more severe than they supposed (Coombs, 2007; Kim, Kim, & Cameron, 2009). Thus, Rebuild strategies do not always represent the best response to a crisis (Coombs & Holladay, 2002; Dutta & Pullig, 2011; Kim et al., 2009). Finally, SCCT also recommends that an upward or downward adjustment of the initial assessment providing information about the perceived crisis responsibility is needed on the basis of crisis severity (namely, the amount of damage provoked by the crisis effects, including human, financial and environmental damage), and/or the performance history, which regards the organization’s past actions or conduct (also including the history of similar crises and the prior relationship reputation) (Coombs, 2007; Coombs & Holladay, 2002).
Table 3 provides an overview of SCCT, listing and defining the thirteen different crisis types, organizing them into three crisis clusters and associating them with the adequate crisis response strategy options.

### Table 3 - Crisis Clusters and Response Strategies. Adapted from (Coombs, 2007; Coombs & Holladay, 2002)

<table>
<thead>
<tr>
<th>CRISIS TYPE</th>
<th>DEFINITION</th>
<th>CRISIS CLUSTER</th>
<th>RESPONSE STRATEGIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rumour</td>
<td>False information circulating and harming an organization.</td>
<td></td>
<td><strong>Bolstering</strong>, if no crisis history and neutral/positive prior relationship reputation</td>
</tr>
<tr>
<td>Natural disaster</td>
<td>Naturally occurring events damaging an organization.</td>
<td></td>
<td>+ <strong>Victimage</strong> (if possible)</td>
</tr>
<tr>
<td>Malevolence/ Product tampering</td>
<td>External agent acting against an organization and causing damage to it</td>
<td>Victim cluster</td>
<td>+ <strong>Denial</strong> (in case of rumour or challenge crises)</td>
</tr>
<tr>
<td>Workplace violence</td>
<td>(Former) employee attacking current employees on the job.</td>
<td></td>
<td><strong>Diminish Strategies</strong>, if crisis history and/or negative prior relationship reputation</td>
</tr>
<tr>
<td>Challenge</td>
<td>Unsatisfied stakeholders claiming an organization is acting in an inappropriate way.</td>
<td></td>
<td><strong>Diminish Strategies</strong>, if no crisis history and neutral/positive prior relationship reputation</td>
</tr>
<tr>
<td>Technical breakdown accident</td>
<td>Technology or equipment failure causing industrial accident.</td>
<td></td>
<td><strong>Rebuild Strategies</strong>, if crisis history and/or negative prior relationship reputation</td>
</tr>
<tr>
<td>Technical breakdown product recall</td>
<td>Technology or equipment failure resulting in product recall.</td>
<td>Accidental cluster</td>
<td></td>
</tr>
<tr>
<td>Megadamage</td>
<td>Technical breakdown accident causing significant environmental damage.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human breakdown accident</td>
<td>Human error generating industrial accident.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human breakdown product recall</td>
<td>Human error causing product recall.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational misdeeds with no injuries (to external stakeholders)</td>
<td>Stakeholders being knowingly deceived by organizational management but without being injured.</td>
<td>Preventable cluster</td>
<td><strong>Rebuild strategies</strong>, regardless of crisis history or prior relationship reputation</td>
</tr>
<tr>
<td>Organizational misdeed management misconduct</td>
<td>Laws or regulations being knowingly violated by organizational management.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational misdeeds with injuries (to external stakeholders)</td>
<td>Stakeholders being knowingly placed at risk and some being injured due to organizational management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2.3. The Nature of the Crisis: Performance-Related vs. Values-Related

As stated by the Contingency Theory of Accommodation in Public Relations (Cancel, Cameron, Sallot, & Mitrook, 1997; Dutta & Pullig, 2011), the most effective communicative strategy has to be selected for every situation through a careful evaluation of the various contingent factors featuring the circumstances, as they might represent moderating variables in the communication with the external public. Hence, before deciding which kind of crisis response strategy to implement, the company or brand should consider several aspects, including: (a) nature of the event (Dawar & Pillutla, 2000; Dutta & Pullig, 2011; Kim et al., 2009; Tsarenko & Tojib, 2015); (b) consumers’ perceptions of severity and relevance (Dawar & Lei, 2009; Janssen et al., 2015; Tsarenko & Tojib, 2015); (c) impact on the brand image (Benoit, 1997; Dawar & Pillutla, 2000; Keller, 1993); (d) audiences to be prioritized (Benoit, 1997) etc. In particular, the nature of the crisis plays a fundamental role, hence it should not be underestimated by crisis managers and practitioners.

In this subsection we will concentrate on the distinction between performance-related and values-related crises proposed by Dutta and Pullig (2011). This distinction is in line with the contingency-based view, as it demonstrates the direct relation between relative effectiveness of crisis response strategies and nature of the crisis. Performance-related crises ‘commonly involve defective products and primarily reduce a brand’s perceived ability to deliver functional benefits’ (Dutta & Pullig, 2011, p. 1282), such as ‘thermal runaway’ chemical reaction affecting Samsung Galaxy Note 7 and provoking explosion of the device. Values-related crises do not necessarily and directly involve products, but social or ethical issues related to the values the brand is promoting (Dutta & Pullig, 2011). IKEA’s decision to remove women from its Saudi Arabian version of the catalogue and Nike’s exploitation of child labour are examples of this kind of crises.

The main and fundamental difference in the present distinction lies in the consumers’ perception of the company’s ability to deliver the benefits (i.e. personal values) they associate with the product or service (Keller, 1993). Performance-related crises have a negative impact on consumers’ confidence in the product or service’s functional benefits (Dutta & Pullig, 2011; Pullig, C., Netemeyer, R. G., & Biswas, A., 2006), namely the more intrinsic advantages provided (Keller, 1993). On the other hand, values-related crises affect confidence in the company’s ability to deliver symbolic benefits (Pullig, C., Netemeyer, R. G., & Biswas, A., 2006), i.e. the more extrinsic advantages arising from the product or service consumption (Keller, 1993).

The effects of a negative event on brand associations and the relative benefits are directly related to the perceived severity of the crisis and its impact on brand evaluations; hence, they affect the perceived relevance, which is defined as the extent to which brand associations are affected by the outcomes of the negative event (Dawar & Lei, 2009). In case of consumers perceiving the crisis as irrelevant, i.e. not influencing the brand’s core associations, their brand
evaluations are not significantly affected. Conversely, in case of relevant effects on brand benefit associations, consumers significantly lower their brand evaluations.

Empirical evidence, mostly based on the Image Restoration Discourse Theory (Benoit, 1997), proved that addressing performance-related crises needs a high level of explanation for the crisis, and possibly assures consumers that preventive actions will be taken, thus reducing their perception of recurrence likelihood of the crisis (Dutta & Pullig, 2011); hence, the higher the perceived severity of the transgression, the more effective increasingly accommodating strategies will be (Tsarenko & Tojib, 2015). In this sense, denial would be the least effective solution, as it would leave questions unanswered and would not provide any indications regarding the possibility for the transgression to recur (Kim et al., 2009). Finally, reducing offensiveness of crisis impact is a better approach than denial, but not as effective as a corrective action, since it does not indicate how the problem will be addressed in order to prevent recurrence. As far as values-related crises are concerned, the most important finding was that a reduction-of-offensiveness is as effective as a corrective action, since the additional level of assurance provided is not necessarily required (Dutta & Pullig, 2011; Kim et al., 2009). Thus, corrective action does not always represent the best response strategy, mainly because (1) the more accommodating the less cost-effective a strategy is; and (2) overly accommodating strategies implemented when unnecessary may actually worsen the situation (Coombs, 2007). An explanation for this interesting result is that whereas symbolic and psychological benefits are likely to enhance incremental probability of brand choice, functional benefits are needed by the brand to be even taken into consideration (Dutta & Pullig, 2011; Keller, 1993). Hence, a performance-related crisis is likely to require a response strategy addressing consumers’ concerns of re-occurrence likelihood and thus restoring their confidence in the company’s ability to deliver functional benefits.

As previously stated, the present work aims to apply the differentiation between performance-related and values-related crises conceptualized by Dutta and Pullig (2011) to the SCCT (Coombs, 2007; Coombs & Holladay, 2002) and match SCCT Denial, Diminish and Rebuild response strategies to this different segmentation of nature of the crisis. In particular, we perceive that values-related crises have not been given enough consideration in the SCCT, thus a more largely evaluation and assessment of the topic is required.

A crisis response strategy can be evaluated through different methods, which focus on various methods and render comparison more difficult. Brand trust and brand reputation have proven to positively and strongly affect consumers’ repurchase intentions (Lin et al., 2011), which is the final purpose of a crisis response strategy. This is the reason why brand image and reputation are included in the hypotheses.
On the basis of all previous considerations we present the following hypotheses:

\( H1a: \) In case of performance-related crises, the Rebuild response strategy is the most effective in recovering brand trust and reputation.

\( H1b: \) In case of performance-related crises, the Denial response strategy is the least effective in recovering brand trust and reputation.

\( H2a: \) In case of values-related crises, the Diminish response strategy is as effective as the Rebuild response strategy in recovering brand trust and reputation.

\( H2b: \) In case of values-related crises, the Denial response strategy is the least effective in recovering brand trust and reputation.

2.4. The Moderating Role of CSR

As already mentioned, the contingency-based approach infers that several contingent factors feature a determinate situation and affects the effectiveness of any crisis response strategies (Cancel et al., 1997; Dutta & Pullig, 2011). Such factors include consumers’ prior expectations of a response to a negative event (Dawar & Pillutla, 2000), as well as their commitment to the brand or company (Ahluwalia et al., 2000). They can affect the outcome through two effects, i.e. mediation or moderation. Mediation focuses on how a treatment effect is produced, i.e. the intermediary process leading from the independent variable (manipulation) to the dependent variable (outcome). Conversely, mediation concentrates on the factors that strengthen and/or change the direction of the relationship between the independent and dependent variables (Muller, Judd, & Yzerbyt, 2005).

Empirical evidence proved that consumers interpret and evaluate a crisis response strategy on the basis of their prior expectations about the brand or company (Dawar & Pillutla, 2000); hence, consumers’ expectations filter and bias their perception of a company’s response strategy. For example, evidence being consistent with consumers’ expectations was proven to be selectively sought and assigned greater weight (Darley & Gross, 1983). This implies that identical responses are differently interpreted by observers, thus generating dissimilar consumers’ reactions to the implemented strategy, which subsequently affects post-crisis brand equity (Dawar & Pillutla, 2000).
In particular, a diminished negative impact on brand equity is expected in case of positive prior expectations associated to the brand, which would create a hypothesis-confirming context upon which consumers would base their interpretation of crisis information. Conversely, weak consumer expectations even worsen the company’s post-crisis position, hence obliging it to undertake aggressive response actions simply to preserve brand equity (Dawar & Lei, 2009; Dawar & Pillutla, 2000).

As far as consumers’ commitment to the brand is concerned, previous research has proven that brand familiarity positively influences Customer-Based Brand Equity (CBBE), which is defined as the ‘differential effect of brand knowledge on consumer response to the marketing of the brand’ (Keller, 1993, p. 2). Brand familiarity is defined as the amount of product-related experiences consumers have accumulated, e.g. through advertising and product usage (Alba & Hutchinson, 1987). Thus, a consumer is familiar with the brand when he/she holds some strong and unique brand associations in memory (Dawar & Lei, 2009; Keller, 1993). Brand familiarity plays a significant role in consumers’ perceptions of and reactions to a company’s crisis response strategies, in fact, research on consumer behaviour shows that upon receiving new information that may call into question a prior attitude, consumers try to defend it by seeking a pro-attitudinal information in their memory (Pham & Muthukrishnan, 2002), which would result in a lowered impact of the new information (Dawar & Lei, 2009). Familiar consumers are likely to actively evaluate the new information, try to find explanations and generate counterarguments, and reject information not being consistent with their positive attitude towards the company. Conversely, non-customers are unlikely to develop such an evaluating process (Dean, 2004). We can therefore infer that positive prior brand expectations combined with brand familiarity tend to insulate the company from the impact of negative publicity (Dawar & Lei, 2009; Dean, 2004; Pullig, C., Netemeyer, R. G., & Biswas, A., 2006).

The case of identified consumers just introduced is particularly interesting. Identification occurs when stakeholders develop a sense of connection with the company or brand based upon perceived overlapping facets of company’s and consumers’ identities (Janssen et al., 2015). Identified stakeholders are very likely to react to a crisis by defending the company or brand, blaming it less, actively seeking for plausible, alternative explanations and possibly forgiving it. Hence, an assimilation effect would occur. Nevertheless, in case of extremely negative and severe crises, they might show even stronger negative reactions (i.e. leading to lower purchase intentions, unfavourable advocacy behaviours, as well as re-evaluation of the company or brand), as the crisis may weaken the basis upon which identification is built. Thus, identification may result in a contrast effect in case of crises being highly severe or attacking motives for identification. Corporate Social Responsibility embodies one of the primary bases for consumers’ identification with a company (Bhattacharya & Sen, 2003; Janssen et al., 2015).
Corporate Social Responsibility (CSR) is defined as the status and activities a company is promoting with regard to its perceived obligations towards the society (Klein & Dawar, 2004; Sen & Bhattacharya, 2001). The purpose of CSR is to create shared value, thus generating economic value for the company or brand in a way that also produces value for the society and the environment (Janssen et al., 2015). The expected and wished outcome is the enhancement of the corporate or brand reputation (Klein & Dawar, 2004).

According to Jansen, Sen and Bhattacharya (2015), CRS can play four important effects that a company or brand should consider, namely (1) it increases attention to the crisis, as companies being strongly active in CSR are likely to receive intense media coverage during the crisis, too. (2) It influences consumers’ attributions of responsibility about the crisis (Janssen et al., 2015; Klein & Dawar, 2004). In fact, CSR-companies are likely to be blamed less than firms not being active in such activities, also exploiting the flywheel effect of positive brand associations of blame attribution. Hence, consumers will be more willing to give a company the benefit of the doubt and wait for its response (Klein & Dawar, 2004). Nevertheless, this will occur only if stakeholders’ attributions of driving motives behind corporate CSR activities are more intrinsic (i.e., driven by a genuine concern for the addressed issues) than extrinsic (based on self-interest to increase its profit) (Janssen et al., 2015). (3) It raises stakeholders’ expectations towards the company’s response and reaction strategies, which are expected to be in line with its promoted values and standards of behaviour. (4) It establishes the company’s potential insulation from the crisis outcomes, i.e. the likelihood of incurring in assimilation effect and have the crisis situation being evaluated less negatively than in a CSR-free context. As stated by the Assimilation-Contrast Theory (Sherif & Hovland, 1961), reference points (e.g. the context) will shape individual judgements relative to a new information, possibly resulting in either an assimilation or a contrast effect. The assimilation effect is characterized by a smaller perceived discrepancy between contextual and new information, hence it is likely to generate positive stakeholders’ reactions, such as increased purchase intentions, advocacy behaviours etc. Conversely, the contrast effect is featured by a larger perceived distance between the two information and will probably generate and amplify stakeholders’ negative reactions (e.g., boycott of the company’s products, negative word-of-mouth) (Janssen et al., 2015; Sherif & Hovland, 1961). In particular, assimilation effect capable of insulating the company from negative outcomes of a crisis may occur if: (1) the company is or is perceived as responsible only to a limited extent, and plausible alternative explanations are provided; besides, the crisis domain regards a problem affecting the product performance; (2) the severity of the crisis is low, and the consumers’ expectations towards the company’s response are met; (3) stakeholders feel identified with the company and its values. Contrarily, a contrast effect will occur if a company is held responsible for a crisis involving social or ethical issues, severity is perceived as high and corporate response does not meet stakeholders’ expectations; in this scenario, consumers do not feel identified with the company.
Thus, CRS represents a significant moderator of consumers’ evaluations and post-transgression behavioural intention to a corporate crisis response strategy; in fact, stakeholders appear to be more willing to forgive a brand with a past of CSR records (Tsarenko & Tojib, 2015). This may be due to the fact that CSR was proven to have a spillover or halo effect on consumers’ overall attitude towards and evaluations of a brand or company (Beckwith & Lehmann, 1975; Klein & Dawar, 2004), in particular influencing associations regarding product and brand evaluations, which are the most likely to be activated during a non-routine situation, as a crisis represents (Brown & Dacin, 1997; Kim et al., 2009; Klein & Dawar, 2004).

Nevertheless, a good reputation for social responsibility does not always represent a sort of insurance policy being available when needed (Tsarenko & Tojib, 2015), as it was previously suggested (e.g. Klein & Dawar, 2004). Indeed, consumers’ high expectations towards the company’s response strategy may be difficult to meet (Dean, 2004): hence, well-regarded companies are required to implement the appropriate response in order not to disappoint consumers’ expectations, whereas this aspect is less important for poorly-regarded companies, which are nevertheless starting rebuilding trust from a pejorative position (Klein & Dawar, 2004). These findings are consistent with the Expectation-Evidence Framework, which states that CSR reputation associated with a company (good vs. bad) will generate consumers’ expectations regarding the way a company will respond to the crisis. Good reputation is expected to shelve the company from blame at least until a response is provided, as consumers are likely to give the company the benefit of the doubt (Dean, 2004).

Finally, two important limitations regarding CSR are: (1) negative CSR information generates consumers’ reaction, but only CSR-sensitive people react to positive information regarding CSR (Sen & Bhattacharya, 2001); (2) in case of bad prior reputation, CSR messages do not effectively improve the perceived image of a company (Kim et al., 2009). Hence, CSR does not always provide a positive ROI (Kim et al., 2009).

SCCT does not provide any reference to the impact of CSR on the selection process of the right crisis response strategy, despite the fact that it recognizes the ability of upwardly or downwardly adjust crisis response choice according to the two intensifying factors (crisis history and prior relation reputation). Thus, the present work aims to assess whether CSR may be considered as a third type of intensifying factor substantially impacting on the defensive-accommodative continuum. In fact, as previously stated, CSR may not always represent an insurance policy against crises (Janssen et al., 2015), therefore further analysis is required to esteem the influence CSR records exert on stakeholders’ reactions to crisis and corporate response strategies.
In line with all previous theoretical background, we hypothesise that:

**H3a:** A positive CSR reputation enhances consumers’ identification with a brand, and increases brand trust.

**H3b:** A negative CSR reputation reduces consumers’ identification with a brand, as well as brand trust.

**H3c:** The success of a crisis response strategy is positively affected by CSR activities performed prior to the crisis.

**H3d:** The success of a crisis response strategy is negatively affected by a negative CSR reputation prior to the crisis.
3. LITERATURE REVIEW

The present literature review includes only the most relevant papers constituting the theoretical basis upon which this Master Thesis is developed. It focuses mainly on the impacts of a corporate crisis on consumers and on the affected company, the possible corporate crisis response strategies developed in different models, and the relative consumer responses.

All articles were carefully selected according to the Journal Quality List, compiled and edited by Professor Anne-Wil Harzing, as well as considering their relevance for the field.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Title</th>
<th>Author(s) (Year), Journal</th>
<th>Content</th>
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<tbody>
<tr>
<td>Corporate Crisis Response Strategies</td>
<td>Image repair discourse and crisis communication</td>
<td>Benoit, W. L. (1997), Public Relations Review, 23(2), 177–186</td>
<td>This paper presents the Theory of Image Restoration Discourse, which provides five different image repair strategies that a company can put into practice in order to respond to a corporate image crisis. The five approaches, chosen on the basis of the nature of the crisis, are the following: (1) Denial; (2) Evasion of Responsibility; (3) Reducing Offensiveness of the Event; (4) Corrective Action; (5) Mortification.</td>
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<td>Corporate Crisis Response Strategies</td>
<td>The effectiveness of corporate communicative responses to accusations of unethical behavior</td>
<td>Bradford, J. L., &amp; Garrett, D. E. (1995), Journal of Business Ethics, 14(11), 875–892</td>
<td>In this paper the Corporate Communicative Response Model is conceptualized. This can be employed by corporations to defend themselves when accused of unethical behaviour. One of the five potential communicative approaches, namely (1) No Response; (2) Denial; (3) Excuse; (4) Justification; (5) Concession, should be chosen according to the situation in which the company is.</td>
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<tr>
<td>Corporate Crisis Response Strategies</td>
<td>Helping Crisis Managers Protect Reputational Assets: Initial Tests of the</td>
<td>Coombs, W. T., &amp; Holladay, S. J. (2002), Management Communication</td>
<td>The Situational Crisis Communication Theory (SCCT) is a situational approach that organizations can employ to respond to crises and protect their reputation. Thirteen crisis types are listed and</td>
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<tr>
<td>Corporate Crisis Response Strategies &amp; Consumer Response</td>
<td>Situational Crisis Communication Theory</td>
<td>Quarterly, 16(2), 165–186</td>
<td>grouped into three crisis clusters (victim, accidental and preventable clusters). Moreover, the paper proposes eight response strategies. Severity and Performance History are considered as factors influencing the perceived organization’s responsibility for the crisis.</td>
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<td>Impact of the Crisis</td>
<td>Protecting Organization Reputations During a Crisis: The Development and Application of Situational Crisis Communication Theory</td>
<td>Coombs, W. T. (2007), Corporate Reputation Review, 10(3), 163–176</td>
<td>In this paper the SCCT is further developed by including the anticipations of the probable consumer reactions to the response strategies used to manage the crisis. The ten strategies are clustered into four groups, namely (1) Deny; (2) Diminish; (3) Rebuild; (4) Bolstering. Guidelines for crisis communication are also provided.</td>
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<tr>
<td>Impact of the Crisis</td>
<td>Brand crises: The roles of brand familiarity and crisis relevance in determining the impact on brand evaluations</td>
<td>Dawar, N., &amp; Lei, J. (2009), Journal of Business Research, 62(4), 509–516</td>
<td>The effects of a brand crisis may be subject to the effect of moderators, such as the relevance of the crisis to the brand and the brand familiarity. These may impact on the consumers’ brand evaluations.</td>
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<tr>
<td>Impact of the Crisis</td>
<td>Impact of Product-Harm Crises on Brand Equity: The Moderating Role of Consumer Expectations</td>
<td>Dawar, N., &amp; Pillutla, M. M. (2000), Journal of Marketing Research, 37(2), 215–226</td>
<td>The impact of firms’ responses to crises on consumer-based brand equity is evaluated through the expectations-evidence framework. According to the authors, consumers’ prior expectations about the firm play a role in their interpretation of the company’s response, which is shown to affect post-crisis brand equity.</td>
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<tr>
<td>Impact of the Crisis</td>
<td>Consumer Reaction to Negative Publicity: Effects of Corporate</td>
<td>Dean, D. H. (2004), Journal of Business Communication, 41(2), 192–211</td>
<td>The present paper investigates the way company’s response to a crisis, its reputation for social responsibility prior to the event and its responsibility for the crisis influence the consumers’ regard for</td>
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The efficacy of three corporate crisis response strategies from the Theory of Image Restoration Discourse in restoring post-crisis brand confidence and choice likelihood is tested. An interesting finding was the significant effect of the nature of the brand crisis on the relative effectiveness of the response strategy.

A framework to understand the role and impact of CSR on public reaction to corporate crises is proposed. It includes four important roles played by CSR, namely (1) increasing stakeholders' attention to crises; (2) affecting their blame attributions; (3) raising expectations; (4) changing their evaluations of the crisis. Besides, CSR may both positively mitigate and negatively amplify stakeholders' reactions according to the situation.

The Consumer-based brand equity is a conceptual model of brand equity from the perspective of the consumer. Several aspects regarding the concept of brand, such as brand knowledge, awareness, image, associations and familiarity are also defined and discussed.

CSR has a 'halo effect' affecting the attributions consumers relate to a brand in a product-harm crisis situation. These attributions mediate the consumers' brand evaluation. The mediation effects, though, are only found for consumers being CSR-sensitive.
|-------------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------|

The present article provides guidance for choosing the appropriate crisis response strategy during a product-harm crisis. According to the authors, corporate reputation and consumer-based cues, such as nationality and gender, should be included in the decision-making process concerning the choice of a corporate response, as they shape the consumers’ perceived severity of the crisis.

|------------------------------------------|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|

The interplay between the severity of a brand transgression, two possible firm’s responses (apologia vs. apology) and the consumers’ prior awareness of the company’s CSR activities is examined. The mediation role of consumers’ forgiveness has a positive influence on the repurchase intentions. The purpose of the study is to help managers to determine the most effective and efficient solution in meeting the consumers’ expectations.
4. METHODOLOGY

The hypotheses mentioned above will be tested through a quantitative research. Data will be collected by running an online experiment and questionnaire spread through personal contacts as well as on social media pages. Sphinx Software will be used to develop and spread the questionnaire as well as analyse the collected data, which will be used to test the hypotheses and show the interaction between the variables.

Projective techniques will be implemented, also in order to avoid the social desirability bias which would generate biased and unrealistic data and results. Hence, respondents will be presented different scenarios and will be asked questions to which possible answers are provided and structured consistently to the five point Likert scale (1 = Strongly disagree; 2 = Disagree; 3 = Undecided; 4 = Agree; 5 = Strongly agree). Thereby, numerical results will be obtained.

A 2 (Consumer expectations: CSR activities vs. Non-CSR) x 2 (Nature of the crisis: performance-related vs. values-related) x 3 (response strategy: Denial, Diminish, Rebuild) experiment will be run. Previous studies often applied an analysis of variance (ANOVA) to analyse results from experiments (e.g. Dawar & Pillutla, 2000; Dean, 2004; Dutta & Pullig, 2011; Tsarenko & Tojib, 2015). Nevertheless, in this case a Factor Analysis and Regression Analysis will be employed, as they are likely to provide more meaningful results, such as interactions among variables.

5. WORK PLAN

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<thead>
<tr>
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<th>Activity</th>
<th>Description</th>
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<td>01.10 – 30.10.2016</td>
<td>Exposé</td>
<td>Definition of the topic, literature review and theoretical framework</td>
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<tr>
<td>31.10 – 15.11.2016</td>
<td>Research Design</td>
<td>Designing the survey and implementing it in the Sphinx Software</td>
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<td>15.11 – 30.11.2016</td>
<td>Field Research</td>
<td>Running the survey</td>
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<td>07.11 – 30.11.2016</td>
<td>Introduction and Methodology</td>
<td>Writing the chapters regarding introduction and methodology</td>
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<tr>
<td>01.12 – 20.12.2016</td>
<td>Analysis of the Results</td>
<td>Analysing the data collected from the survey</td>
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<tr>
<td>21.12.2016 – 16.01.2017</td>
<td>Conclusions and Final Revision</td>
<td>Writing the chapter regarding conclusions and revising the entire work</td>
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