How Far Can Brands Go To Defend Themselves?: The Extent of Fashion Brand Negative Publicity Impact on Brand Equity

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Introduction: The reknown American designer, Donna Karan, recently went viral on social media due to her interview in defense of Harvey Weinstein, the Hollywood producer accused of sexual assault (Safronova, 2017). This interview had repercussions for her brand. *Fashion brand negative publicity* refers to negative press that has adverse effects on a brand's equity (Dean, 2004). The impact of negative publicity is especially relevant today due to social media and the resulting increase in social awareness among consumers (Coombs, 20007). However, virtually no research has examined how negative publicity impacts fashion brands' equity, particularly, to what extent the brands can defend their brand equity from such negative publicity through customer relationship recovery strategies. Also, although the type of negative incident varies from product-related (i.e., harmful product) to personnel-related (i.e., CEO/designer misconduct), consideration of this variance is scarce in the literature. As one of the first exploratory attempts, the purpose of this study was to examine the effects of recovery strategies on differential levels of fashion brand equity built on Keller's (2001) customer-based brand equity (CBBE) model using both product- and- personnel- related negative publicity cases.

Literature & Research Questions: *Brand equity* refers to the total value of a brand as a separable asset (Wood, 2000). CBBE is determined by consumers' assessments and associations toward the brand (Wood, 2000). Keller (2001) theorizes four different levels of CBBE in a pyramid: 1) brand salience (customers' awareness of the brand), 2) brand performance and imagery (customer assessments of the brand's quality and associations), 3) brand judgement and feelings (evaluative and affective customer responses toward the brand), and 4) brand resonance (intense customer-brand relationship). Each level in the pyramid represents a different aspect of brand equity as well as the strength of the customer-brand relationship, which becomes stronger as it moves from bottom (brand salience) to top (brand resonance).

The crisis management theories from the public relations literature suggests three recovery strategies to recover customers' perceptions toward the brand after a negative incident: affective, functional, and informational (Xie & Peng, 2009). Affective recovery provides a sincere apology to customers, while functional recovery gives monetary compensation (i.e., refund/discount) and informational recovery offers an explanative communication, such as a press conference (Xie & Peng 2009). As the PR literature suggests, we raised the following questions: RQ1. Can affective, functional, and informational recoveries defend the fashion brand's equity after negative publicity, and if so, what recovery strategy would be the most effective? RQ2. To what extent can brand equity be dependent on such recovery strategies (from

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brand salience to brand resonance)? and RQ3. Are the effects of these recovery efforts similar or different according to the type of negative publicity (product vs. personnel-related)?

Methods & Results: To answer these research questions, this study designed a 4X2 between-subject experiment. A total number of 577 U.S. consumers were recruited by a professional survey company. The subjects were then assigned to one of 4 recovery conditions (no recovery, affective, functional, and informational x *2 negative publicity type*: product-related [harmful product] and personnel-related [CEO misconduct]; n per cell = 69-77). We created a fictitious fashion brand and related news article depicting a product- or personnel-related negative incident and each recovery action taken by the brand. Manipulations were checked using perceived negative publicity and perceived recovery scales from the literature (Xie & Peng, 2009). Since we used a fictitious brand name, the response was not adequate to measure brand performance and imagery level, which reflects the brand's objective information. Instead, brand salience, judgement and feelings, and resonance level were measured (Keller, 2001).

MANOVA comparing "no recovery" to each of the recovery-treated cells revealed that for product-related incidents, none of the recovery strategies was significant in all levels of brand equity ($p>.05$). However, for personnel-related incidents, functional recovery efforts had a significant effect (Wilks' $\lambda = .93$, $p=.03$) in recovering consumers' judgement of the brand ($M_{functional/personnel} = 4.23$, $p=.01$), feelings about the brand ($M_{functional/personnel} = 3.97$, $p=.00$), and brand resonance ($M_{functional/personnel} = 3.82$, $p=.01$), and informational recovery was also significantly effective (Wilks' $\lambda = .92$, $p=.03$) for brand feelings ($M_{informational/personnel} = 3.81$, $p=.01$).

Figure 1. Recovery Effects on Fashion Brand Equity

Conclusion: The originality of this study stems from the unique, exploratory approach of examining the "extent" of the effect of recovery efforts across the levels of brand equity. The results provide valuable insights for fashion brand management. Figure 1 shows the extent of the effect of recovery efforts on brand equity according to the type of negative publicity and recovery strategies. For instance, for product-related negative publicity, the issue was incurable to consumers thus no recovery strategy could protect brand equity at any level. For personnel-related negative publicity, some recovery efforts were effective, but not all; a gesture of apology (affective recovery) was no longer effective for consumers, while more tangible/practical compensation (monetary/functional and informational) was still effective in recovering positive brand judgement and feeling (and partially resonance). Meanwhile, such recovery effects were still limited to the extent of consumers' affective judgement and feelings, and could not completely recover brand resonance—the ultimate level of brand equity—in most cases, once negative publicity occured. These findings urge brands to obtain better crisis-management skills.

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