Despite the Issue, I Believe the Brand Still Has Some Goodwill: The Role of Corporate Responsibility and Corporate Ability in Shaping Consumers' Beliefs and Feelings about Beauty Brands' Animal-Testing Crises

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Background, Rationale, Purpose, and Novelty – Brand crises are inevitable, and the cosmetic and personal care industry (hereafter "beauty brands") is no exception. This industry constitutes a substantial and expanding market, with an anticipated annual growth rate of 2.60% (CAGR 2023-2027), generating a total revenue of US$91.41bn in 2023 (Statista, 2022). However, it has been facing brand crises for various reasons, particularly the issue of animal testing, driven by the emergence of alternative testing methods and consumers' concern for animal welfare. While existing studies have focused on alternatives to animal testing (Athira et al., 2022) and consumer preferences for cruelty free products (Wuisan & Februadi, 2022), there are rare attempts to define beauty brands' involvement in animal testing as a brand crisis and investigate consumers' reactions to this critical brand crisis situation. Given the negative impact that animal testing can have on a brand's reputation, it is important for beauty firms to deeply understand how consumers would react to this issue and identify pre-crisis strategies to mitigate adverse consequences just in case it faces such a crisis. Brand image and reputation "before" a crisis can significantly impact consumer evaluations "after" a crisis, but the relationship between the two is a matter of debate: Some argue that a positive image may raise consumer expectations and lead to reactions that are more negative (e.g., Sohn & Lariscy, 2015), while others suggest it can act as a cushion to protect the brand (e.g., Jung & Lee, 2022). Corporate associations "before" a crisis can be broken down into two primary components (Brown & Dacin, 1997): *corporate ability* (CA), referring to a brand's professional capability in producing and delivering its outputs (e.g., product quality), and *corporate responsibility* (CR), referring to an organization's activities with respect to its perceived environmental, social, and ethical obligations. Prior research has examined the influence of CA and CR on consumer satisfaction and loyalty during crises, but findings have not demonstrated significant differences in consumer evaluations (e.g., Sohn & Lariscy, 2015). However, a recent study shows that brands committing to "social" responsibility attenuate blame from consumers during a crisis compared to those focused solely on "product" responsibility (Kang et al., 2023).

Building on the literature, this study conceptualizes beauty brands' involvement in animal testing as a brand crisis and empirically investigates the distinct role of CA and CR in shaping consumer reactions during the brand crisis, by delving into the underlying psychological processes of consumer cognitive and subsequent affective responses. Cognitive response is represented by a construct, *inferred goodwill*, referring to consumers' inference that a brand is acting in the best interest of consumers, which is expected to alleviate *regret* (consumers' emotional remorse about their previous purchases from the brand)–affective response to bad decision-making and a powerful motivator for future behavior. Furthermore, we take account into the moderation of brand-self connectedness (BSC) in the effects of CA and CR on inferred goodwill to deepen the understanding of the brand crisis reaction mechanism by simultaneously considering personal involvement with the brand. The importance of examining BSC stems from its contested impact on consumer behavior, with some evidence suggesting it may serve as a protective factor against negative information (e.g., Trump, 2014), whereas others have suggested it may exacerbate negative outcomes in crises, particularly those related to values (e.g., Baghi & Gabrielli, 2021). In sum, this study seeks to explore the effects of pre-crisis CA and CR on post-crisis consumers' regret, mediated by inferred goodwill and moderated by BSC, with a focus on understanding the interplay between these mechanisms and the potential for backfire and cushion effects in the context of beauty brands' animal testing crises.

Theoretical Framework – Using regret regulation theory (Zeelenberg & Pieters, 2007), expectancy violation theory (Burgoon & Le Poire, 1993), and brand-self congruence theory (Escalas & Bettman, 2003), the research model proposes that CA can diminish the inferred goodwill that consumers associate with a brand, whereas CR has the potential to enhance it. Inferred goodwill can potentially mitigate regret and serve as a justification for a brand during crises. This effect is due to the cognitive dissonance experienced by consumers toward the brand and their subsequent attempt to reduce regret by justifying the brand's situation. The relationship between inferred goodwill and regret may be influenced by the consumer's prior connectedness to the brand, as stronger emotional attachment tends to amplify the perception of betrayal in response to a crisis (Zhang et al., 2020).

Methods, Results, and Implications – A simulated crisis description was developed in the form of a fictitious news article reporting that a beauty brand was found to have tested their products on animals and selling animal-tested products despite their cruelty-free marketing claims. Its validity (realism, severity, source credibility etc.) was tested through a pretest with 83 adults recruited from Amazon's M-Turk. For main study, another set of a nationwide sample of U.S. adults (n = 454) was collected through M-Turk. Respondents were asked to select a beauty brand they had recently purchased; pre-crisis CA and CR, as well as BSC to the chosen brand, were then assessed. The crisis description was then presented, and inferred goodwill and regret measures were shown. All measures were adopted from established scales. The data were analyzed through a common method bias check, CFA for measurement reliability and validity, structural model testing, bootstrapping for mediation effects, and multi-group analyses (MGA) for moderating effects. With an adequate model fit (CFI = .93; TLI = .92; RMSEA = .07), the key findings were as follows: CR positively affected inferred goodwill (γ = .66, p < .01) while CA negatively affected inferred goodwill (γ = -.43, p < .01). Subsequently, inferred goodwill negatively impacted regret (β = -.20, p < .01). Mediating effect testing revealed that the indirect effect of CA (β = .05, p < .01) and CR (β = -.11, p < .01) on regret was supported, mediated by inferred goodwill. This indicates that in times of a brand crisis, a prior commitment to CR can positively influence a brand's inferred goodwill and protect it against regret. Conversely, the findings suggest that a focus solely on enhancing product quality may have the opposite effect of reducing a brand's inferred goodwill. This phenomenon can be attributed to the potential for increased consumer expectations, which can lead to a backfire effect.

MGA was applied to test the moderating effects of BSC. Respondents were grouped into low (n = 212) and high (n = 174) BSC based on a median split, with the middle group excluded. MGA showed a significant difference ($\Delta\chi^2$ =29.18 $_{(\Delta df = 4)}$) between the low and high BSC groups. Negative effects of CA on inferred goodwill were found in both groups, but only the high BSC group showed a significant negative effect with a stronger magnitude (-.79 vs. -.10). On the other hand, positive effects of CR were found in both groups, with no significant difference in effect size (.51 vs. .47). These findings suggest that in cases where a brand has a relatively weaker connection with consumers, such as new or unfamiliar brands, CR serves as a protective mechanism during crises. However, for brands already well-established (thus closely connected to the consumer), the effects of CA may backfire. Thus, such brands need to adopt nuanced brand strategies to mitigate the risk of negative outcomes, and continued engagement in CR can help reduce risk. This study highlights the crucial role of inferred goodwill as a critical mediator in managing consumer regret in brand crises. By stressing the significance of pre-crisis brand commitments, particularly CR, the findings contribute to the growing body of literature on brand crisis management. The differentiated roles of BSC add depth to brand-self congruence theory and provide practical implications for beauty firms to navigate during brand crises.

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