

EFFECT OF CONSUMER BASED BRAND EQUITY ON PURCHASE INTENTION OF THE CRISIS BRAND: MODERATING ROLE OF PEER RECOMMENDATION

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ABSTRACT: The marketing environment provides negative as well as positive information. Advanced technology accelerates the information dissemination mainly among peers. To address the research gap of the peer effect in product harm crisis, present study used a fictitious product harm crisis scenario related to the fictitious yogurt brand. Convenient sample of Sri Lankan based undergraduate business management students (n=100) were participated in the survey. Results of the Hierarchical multiple regressions suggested that peer recommendations moderate the relationship between consumer based brand equity and purchase intention of the crisis brand during product harm crises. This alarms the threat of connecting consumers in particular in negative information disseminating circumstances like product harm crises. Present study yields important research findings for researchers, policy makers, and marketers in particular to protect the crisis brand during product harm crises.

Keywords: Consumer Based Brand Equity, Peers Recommendation, Purchase Intention, Product Harm Crisis

INTRODUCTION:

It is well documented that personal influence has a significant effect on brand equity dilution (Bambauer- Sachse and Mangold, 2011) and this detrimental effect seems more severe with the spreading of network technology worldwide recently. In case of being faced with a large number of personal contacts along with negative product reviewers, consumers are likely to perceive a high consensus (Chiou and Cheng, 2003) and thus to make negative inferences about the brand which leads to reach negative brand evaluations (Laczniac et al., 2001), thereby lower purchase intentions (Pullig et al., 2006). Moreover, related to the surrounding contact environment of an individual, recommendations from close others (close friends, close relatives etc..) are more influential in shifting near future preferences (Zhao and Xie, 2011) and more tightly connected group has a stronger influence on its members (Katona et al., 2011). Near future preferences seem more important in a product harm crisis than distant future preferences, because quick recovery is vital from a managerial perspective. It is well-known fact that product harm crises cause negative impact on consumer based brand equity (Dawar and Pillutla, 2000; Samaraweera et al., 2014). Moreover, past literature showed the negative impact of consumer based brand equity on purchase intention (Dawar and Pillutla, 2000). However, there is a research gap of searching the effect of peers on purchase intention of the crisis brand in a product harm crisis context and more precisely, how peers shape the link between consumer based brand equity and purchase intention in a product harm crisis. Very few have discussed this issue so far only in a cross cultural perspective (Samaraweera et al., 2013). Consumer based brand equity is very fragile (Dawar and Pillutla, 2000), and it is defined as “the differential effect of brand knowledge on consumer response to the marketing of the brand” (Keller, 1993, p.8). In other words, when brand equity is measured using the consumer-based approach, it is called as consumer based brand equity.

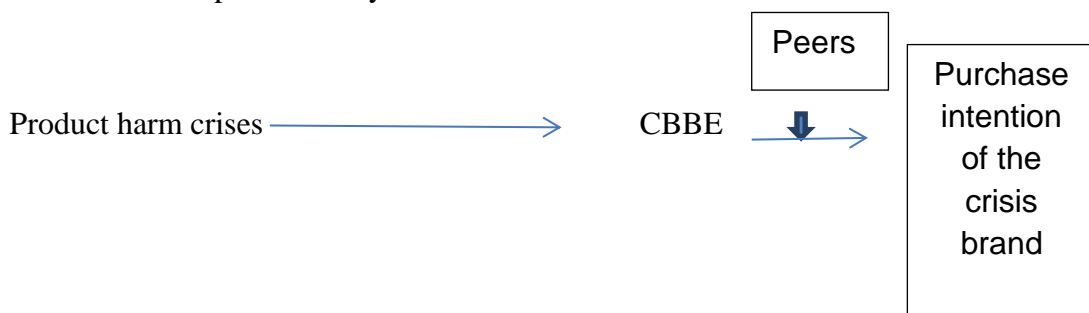
As product harm crisis is a highly negative and unexpected event regularly accompanied by much negative publicity and rumors in the media and this can be disastrous for the affected

company since consumers negatively adjust their feelings concerning that particular firm or brand after having been exposed to negative publicity (Dean, 2004). It is more likely consumer to seek their close friend's help in such situations in order to make judgments on crisis brand and thereby to make purchase decisions. Therefore, influence of peers perhaps strong enough to change consumers brand image toward the affected brand that they previously had thereby it may leads to affect their purchase intention decisions. Hence, in particular during a negative and unexpected event (for instance product harm crisis), consumers arrive decisions on the base of close others' recommendations, which ultimately shape the link between CBBE and purchase intention of the affected brand. Peers' recommendation moderates the link between consumer based brand equity and purchase intention in the Asian emerging markets (Samaraweera et al., 2013)

Therefore,

H1= Peers are likely to moderate the relationship between consumer based brand equity (CBBE) and purchase intention of the affected brand

A schematic representation of the conceptual framework (Figure 1) encapsulates the variables of the present study.



METHODOLOGY

A self-administrated, pre-tested questionnaire survey was conducted to test how peer recommendation shapes consumers' purchase intention of the crisis brand in a product harm crisis situation. A sample of Sri Lankan (n=100) undergraduate Agribusiness management students were participated in the survey. The study used a fictitious product harm crisis scenario to highlight a product harm crises situation. A fictitious yogurt brand "X" was used as the stimulus brand as pre-test recognized that the majority of respondents preferred to consume yogurt. At the beginning, after taking information related to the demographic information, the peers' effect was highlighted as "before making important purchase decisions, I usually go to social network to see my friends' opinions, before making important purchase decisions, I always use to ask my friends' opinions, my close friends have more influence on my purchase decisions than others (Table 2). Then the fictitious product harm crisis scenario was stated as "Yoghurt brand "X" of company "A" is very famous among consumers due to its specific taste. Company earns a considerable profit by selling that brand. Unfortunately, last week it was reported that consumers became ill after consuming the yoghurt brand "X" sold by company "A", 600 people were hospitalized and 10 died. Company "A" uses to add more synthetic preservatives to the firm's brand "X", than other yoghurt brands produced by the company or any other companies. Based on its laboratory experiments, company "A" knows some of these preservatives can be harmful only if mixed with alcoholic substances. Though company "A" can stop using these harmful preservatives, company has been using them since long time in order to produce the profit oriented specific taste to the brand "X". Then the peers effect on purchase intention was stated as "I am looking for purchasing the brand "X" because I trust the brand 'X'. However; one of my close friends reminds me the above incident that he/she has already had a negative experience with brand "X" of company "A." This followed by the three items that reflect the purchase intention as "I would avoid buying brand 'X' from the company 'A"

, I refused buying the brand ‘X’ from the company ‘A’, I am fully disappointed of buying brand ‘X’ from the company ‘A.’

The sample was a convenience sample as used by the past scholars (Vassilikopoulou et al, 2011). Three items used for peer effect and purchase intention of the crisis brand (Table 2). These items were measured with 7- point Likert scales ranging from 1= “strongly disagree” to 7= “strongly agree” (Zhou and Whitla, 2012). Collected data were analyzed by using SPSS (version 20.0) software. Hierarchical multiple regression was used as the main analytical tool. To ensure the plausibility of the fictitious scenario, respondents were asked to rate at the end of the scenario as, 1= “not realistic at all” and 7= “very realistic”.

RESULTS:

Hierarchical multiple regression analysis (Kim et al., 2009; Ro., 2012; Baron and Kenny, 1986) consists of four consecutive steps of regressions was performed to test the hypothesis. As the first step of the regression, the independent variable, consumer based brand equity (CBBE) was entered into the model as a predictor of the outcome variable, purchase intention of the crisis brand (PIx). The model was not significant ($p > .05$). However, as Ro (2012) suggests, the “independent variable or the moderator variable do not have to be significant predictors of the outcome variable in order to test for an interaction” (p. 954), study continues the analysis. As the second step, the moderator variable, peers’ effect (PE) was entered into the model as a predictor of the outcome variable, purchase intention of the crisis brand (PIx). It is interesting to note that relationship was highly significant ($t = 5.78$, $P < .001$). Then, the independent variable, CBBE and the moderator variable, PE, were entered into the model as predictors of the outcome variable, PIx. Still the moderator variable (PE) was highly significant ($p < .001$) whereas, the independent variable, CBBE remained insignificant ($p > .05$). As the final step, the interaction term, the product of independent variable and the moderator variable (CBBE X PE) which represents the moderator effect were added and study found the highly significant interaction effect confirming the moderating effect (Table 1). Therefore, H1 is attenuated.

Table 1: Moderator analysis: Results of Hierarchical multiple regression analysis

Model	Unstandardized		Standardized	<i>t</i>	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	7.309	.974		7.507	.000
PE	-.352	.311	-.244	1.133	.263
CBBE	-.718	.463	-.565	1.553	.127
PE*CBBE	.368	.205	.921	3.800	.021

Dependent variable: Purchase intention of the crisis brand

Note: PE and CBBE are peers’ effect and consumer based brand equity respectively.

The analysis showed the average correlation among the items verifying the internal consistency. All indexes were above their respective thresholds, providing evidence for acceptable scale reliability (Table 2). Moreover, majority of the respondents (92%) stated that the experimental scenario is 'realistic'.

Table: 2: Validity and Reliability results: peers effect

Variab les	Items	KMO adequacy	sampling Cronbach's Alpha
PE	Before making important purchase decisions, I usually go to social network to see my friends' opinions Before making important purchase decisions, I always use to ask my friends' opinions My close friends have more influence on my purchase decisions than others	.71***	.92
CBBE	What do you feel about the attitude of brand "X"? What do you feel about the trust of brand "X"? What do you feel about the overall perceived quality of brand "X"? What do you feel about the overall perceived quality of the products of brand "X" What do you feel about the desirability of brand "X"?	.89***	.97
PIx	I would avoid buying brand 'X' from the company 'A' I refused buying the brand 'X' from the company 'A' I am fully disappointed of buying brand 'X' from the company 'A'	.91***	.89

Note:PE, CBBE and Pix are peers' effect, consumer based brand equity and purchase intention of the crisis brand respectively

CONCLUSION

During a product harm crisis negative information dissemination is commonplace and consumers are searching their peers' recommendations while taking their purchase decisions. Past literature shows the significant brand equity and purchase intention dilution during product harm crisis (Dawar and Pillutla, 2000). Present study reveals that Sri Lankan consumer is significantly influenced by the recommendations of his peers and thereby significantly reduces his purchase intention of the crisis brand revealing the moderating effect. Therefore, the personal contact is risky in Sri Lankan market during product harm crises. This embellished the past literature related to the cross-national perspective (Samaraweera et al., 2013). It interesting to note from the present study that not only product harm crisis has a negative impact on the consumer based brand equity (Dawar and Pillutla, 2000), but also the presence of peers accelerates the negative link between consumer based

brand equity and purchase intention of the crisis brand while keeping the financial sustainability of the farm business at a great risk.

MANAGERIAL IMPLICATIONS

Product harm crisis managers should pay their maximum attention to minimize negative product reviews as present study shows the moderating role of peers between consumer based brand equity and purchase intention of the crisis brand. Marketing manager cannot assure the financial status only keeping high equity brands blindly. This is embellishes the findings of Bambauer-Sachse and Mangold (2011). Authors showed the significant brand equity dilution in the presence of negative word of mouth(WOM). This presumably accelerates with the advanced technology as consumers have numerous personal Medias to contact in different ways. Therefore, careful monitoring system is needed in order to avoid rumors and wrong information. This finding is in line with Katona et al., (2011) as well. Authors contended that more tightly connected group has a stronger influence on its members.

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