

RESPONSIBLE ATTITUDE MATTERS IN SMALL-SCALE RETAILING —A PRODUCT-HARM EXPERIMENT

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ABSTRACT

This study proposes the potentials of prior WOM reputation and a responsible attitude in reducing business product-harm threats in a small-scale retail setting. The outcome is conducted in terms of corporate social responsibility (CSR) relevance, based on eight experimental scenarios. The findings evidence that product-harm publicity may trigger consumer attributions of a firm's product-safety responsibility, and damage its CSR image and market stability, whereas these wounds may be amendable by prior reputation and a responsible attitude in dealing with negative publicities. The results suggest the essence of a responsible action, over only low price strategy in a small scale retailing.

Keywords: Product-harm crisis, scenario experiment, corporate social responsibility (CSR), responsible attitude, small-scale retailing

INTRODUCTION

Product-harm refers to well-publicized occurrences of defective or dangerous products (Dawar and Pilluta, 2000). The lack of attention to product quality and safety that contradicts customers' expectations is mostly the root cause of flawed products in retailing (Luo, 2008). Negative product publicity therefore could accompany not just physical and economic losses but also consumers' emotional fury when they sense that the exposed firm is irresponsible in the incidence (e.g., Siomkos & Shrivastava, 1993). Devoting to consumer-based corporate social responsibility (CSR), Western food companies are changing their business policies from following the direction of shareholders and consumer pressure groups to communicating directly with individual consumers for their trust (Jones, et al., 2005). Recent researches have stressed the significance of situational cues in product-harm crises, such as the moderator of retailer reputation or consumer expectations with regard to the impact of crisis response strategy on consumer affections (e.g., Dawar & Pillutla, 2000; Standop & Grunwald, 2009). Regardless a handful of product-harm research in link to situational factors, little work pays attention to such links in the food retailing of emerging markets.

Small-scale food vender, which typically requires a minimum amount of skill and capital, is characteristic of many transitional economies (e.g., Polska & Fan, 2011). As a primary venue for the population's living, this type of business operation remains a high density in these countries, although multinational grocery has brought them ample of new retail alliances. These predominant small food vendors also imply the limitation of enforced retailing regulations and voices of consumers (Umali-Deininger & Sur, 2007). Even though, all types of retailers,

regardless their sizes, should be able to use social images as a means of marketing over and above economic considerations to impact on consumer behaviors (Anselmsson & Johansson, 2007; Jones, et al., 2005). This practical gap raises a question: Does social responsibility matter in a transitional market context, where low price appears to be the only marketing tool? The current product-harm retailing management remains in its infancy because the crisis information in most retail researches lies on the response strategy of the manufacturer instead of the retailer (Standop & Grunwald, 2009). Knowledge of the value of social responsibility in terms of these small-scale retailers may help reduce this bias.

To extend the research, this study proposes that a responsible attitude and WOM (word-of-mouth) reputation remains fundamental in the emerging small vender market. The research procedure begins by reviewing product-harm literature in relation to consumer attribution and trust theories. Research propositions that stress the moderator of and interaction between WOM reputation and the retailer's responsible attitude in response to a food-safety scenario are then addressed. Subsequent analyses rely on scenario experiment and survey approach, as well as hierarchical regression to examine the impacts proposed. The sample features 535 undergraduate students from a Taiwan's university.

THEORY AND HYPOTHESES

Consumers' knowledge of the market is so far from perfect; they buy products most time because retailers send them signals, telling them whether a product is worthy to buy subtly and not-so-subtly (Anderson & Simester, 2003). They may in turn generate emotional anger and blame on the end retailers because of this prior trust should they face a product defect incident, even though the flaw may be due to the manufacturer or their own misuses (Laufer & Coombs, 2006). Severity of injury is one factor dramatically impacting consumers' blame and attribution of responsibility on a potentially responsible party in order to minimize the potential harm to themselves (Laufer & Coombs, 2006; Robbennolt, 2000), and people often become more unpleasant and less tolerant when the consequence become more severe (Fiske & Taylor, 1991). Thus, the severer the harm, the higher level of negative attribution, and the more harm to CSR image and market stability.

- H1. Product-harm severity relates *negatively* to:
 - H1a. Consumer attributions;
 - H1b. CSR image of the publicized retailer;
 - H1c. Market stability.

Firm reputation can be defined as either an overall evaluation that reflects the extent to which people see the firm as good or bad (Laufer & Coombs, 2006), or an evolving result of a firm's consistent communicating actions with its target groups about its product quality and services over time (Gray & Balmer, 1998; Nguyen & Leblanc, 2001). It can also be formed by the belief of people that they hold about an organization based upon their prior purchase experience, their CSR perception and relationship with it, and their knowledge gained through WOM or mass media (e.g., Caruana, 1997; Sims, 2009; Castaldo et al., 2009). Though high reputed firms may receive more market penalties due to expectancy-violation effects and selective attention of the media (Rhee & Haunschild, 2006), product-harm literature does indicate that a favorable reputation can potentially bring benefits, which include, for example, sustainable financial performance (Roberts & Dowling, 2002), customer loyalty (Nguyen & Leblanc, 2001), signal of

good quality prior to purchase (Shapiro, 1983), and mitigation of negative effects during a crisis break out (Coombs, 2007; Siomkos & Kurzbard, 1994). Specifically, WOM reputation, including prior CSR, is valuable since CSR image can consolidate consuming confidence when information about product quality is not very clear (Yoon & Gurhan-Canli, 2004). Hence, the hypothesis,

- H2. Prior WOM reputation can weaken the negative impact of product-harm incidents on,
 H2a. Consumer attributions;
 H2b. CSR image of the publicized retailer;
 H2c. Market stability.

In terms of input efforts, firms can adopt a denial, involuntary, voluntary, or super-effort strategy to confront product-harm crises (Siomkos, 1989). A major distinction among these responses depends on whether the firm acts passively or proactively (Chen, et al., 2009). A passive approach, such as denial, which tends to shift the accountability to others, may delay recalls and cause consumers to worry about the unknown. In contrast, a proactive or responsible approach, which stresses confronting the potential harm with a voluntary attitude before mandated by government, appears to be CSR concerned. A responsible approach thus reveals that a firm has greater interest in consumer welfare, and in turn is more effective in reducing the perceived risk of consumers to rebuild their confidence to a firm in product-harm crisis (Siomkos & Kurzbard, 1994; Chen et al., 2009). Therefore, though consumers may suspect the motive of a proactive firm, most previous researches confirm that a denial response is ineffective and could erode firm reputation, whereas a responsible approach, such as voluntary and super-effort, is more effective in consumer-based communication (Laufer & Coombs, 2006; Souiden & Pons, 2009). Hence, the hypothesis,

- H3. A responsible attitude in response to product-harm publicity can weaken its negative impact on,
 H1a. Consumer attributions;
 H1b. CSR image of the publicized retailer;
 H1c. Market stability.

EXPERIMENTAL PROCEDURE

Scenarios

This study uses bubble tea vendor as the scenario target. Bubble Tea Café, originated from Taiwan, is a wide variety of small refreshing teas stores serving ice cold or piping hot with chewy natural tapioca balls suck up through a fat straw (http://en.wikipedia.org/wiki/Bubble_tea). The milk in bubble tea, either made by milk powder or fresh milk is optional. However, most stores in Taiwan would serve directly the power kind without offering customers the option, because milk powder or other substitute is cheaper and easier to store and use than perishable milk in hot south-east Asia. To save cost, most vendors hire one or two labors. With approximately 23 million populations, Taiwan now has three thousand or more bubble tea vendors, and half of the populations have visited these stores. Spreading from Taiwan, bubble tea began its rise to international recognition to other East Asian countries during the 1990's. It then migrated to Australia, Canada, and various college towns along the American West Coast; there are also bubble tea cafes in the UK (<http://bubbleology.co.uk/>) and Germany ([http:// blogs](http://blogs)).

ocweekly.com/stickaforkinit/2012/06/chan_mcti.php). Good taste and price, instead of food safety, is the selection attributes of fresh-made beverage of Taiwanese consumers. Recently, with the occurrence of a series of food safety incidents, they have arisen regarding the use of cheap chemical additives of local milk tea vendors. For instance, the melamine toxin incident in late 2008 due to Chinese milk scandal where has been the primary imported source of cheap milk powder to Taiwan has caused a demonstration rally (<http://en.wikipedia.org/wiki/>).

Each scenario is formed based on a combination of the three 2-level factors: (1) Product-harm to human body in a serious way (vomiting and diarrhea symptom which needs for a treatment), or a minor way (no physical injury but having a content of unidentified material in the tea); (2) WOM firm reputation by two real store brands, either reputational or not for its milk and tea quality to signal respectively the prior high or low WOM reputation; (3) Response attitude of the publicized firm, either immediate denial of the event for an irresponsible attitude, or responding to have an immediate publicized investigation for a responsible attitude. Therefore, a total of eight ($2 \times 2 \times 2$) scenarios are generated.

Measurements

All the measurement scales, as described below, use self-reported seven-point Likert-type rating, ranging from 1 “strongly disagree” to 7 “strongly agree”.

Consumer Attribution. This measure pertains to the processes whereby consumers after reading the given scenarios make causal explanations about the publicized product-harm incident as a whole. It consists of 8 items adopted and modified partly from existing attribution scales (Poon et al., 2004; Hess et al., 2007). Factor analysis retracted three dimensions attributed to the firm—controllability, intrinsic locus of control, and event stability—with acceptable Cronbach reliabilities. For analyzing in a positive direction, these three variables are then reversed. They hence represent respectively uncontrollability, extrinsic locus of control, and event instability.

CSR Image. This measure pertains to the confidence of consumers regarding whether after reading the given scenarios they believe that the publicized store is CSR responsible. It consists of 10 items modified from Adams et al. (2010). Factor analysis retracted two dimensions—self-interest and non-trustworthiness—with acceptable Cronbach reliabilities. They are then reversed to represent non-self-interest and trustworthiness for a positive direction analysis.

Market stability. This measure tends to assess the effect of crisis communication on market due to the potential damage of product-harm publicity. It consists of 7 items designed by this study based on Couchen & Chi-Cheng (2007). Factor analysis retracted two dimensions—continuing buyer intention and reputation regaining—with acceptable Cronbach reliabilities.

Sampling

Participants in this research are undergraduate students in a university of Taiwan. For consistency, all questionnaire surveys were conducted during class time with one scenario presented in each class. Participants were asked to read this food-safety news posted in a computer screen in front of them before answering the questionnaire. After the survey, participants were told that the scenario was fictitious and that by random drawing. In addition,

ten percent of them were got a convenient store coupon for appreciating their participation in this test.

Based on this procedure, every scenario has a sample size between 62 and 73, with a total of 535 respondents. Among them, 69% are male; 32% are from engineering school; more than 80% of them buy bubble drinks at least once per week. This group of participants represents typical bubble tea customers in Taiwan.

RESULTS

Hierarchical regression applies to examine the relationships between the three scenario factors and consumers affections, including their attributions and perceived CSR image, and post-market stability with regard to the product-harm incident. In which, Model 1 only examines the effect of event severity; Model 2 also includes both WOM reputation and firm response and their interaction as well as their moderations with event severity, with gender and purchase frequency as two covariates in all models.

A comparison of the two models across the three types of attribution shows that event severity is the primary factor to significantly affect all the three attributions (Hypothesis 1), while WOM reputation gives a direct, significant impact on event stability, and a negative moderating effect on extrinsic locus of control. Firm response and its interaction with WOM reputation appear to be insignificant in all the three attribution models. Of the two covariates, female seems to contribute more than male in ascribing the product-harm liability to the publicized firms; the effects of purchase frequency are all insignificant.

A comparison of the models across the two sets of market-related variables – perceived CSR image and post-market stability – shows that event severity remains the primary factor to significantly affect the and market stability of a product-harm market (Hypothesis 1), but this severity appears to become weakened in the four Model 2s, where both WOM quality reputation and firm response and their interaction and moderations are inserted. Specifically, in these four models, WOM provides only significant direct effects on the two market variables – continuing buyer and reputation regain, whereas the significant impacts given by responsible attitude go across the four outcomes. Responsible attitude also contributes two significant moderating effects on trustworthiness and continuing buyer, other than the four direct impacts. The negative significances of the four interacted effects (WOM×Responsible) thus should be accredited to the responsible attitude of the low WOM firm. That is, when using a responsible approach, a low reputational firm can gain a higher level of recovery in CSR image and market stability than a higher reputational one. Of the two covariates, female seems to be lesser trusty on a firm in product-harm trouble than male; purchase frequency appears to be significantly related to continuing buyer. Therefore, Hypothesis 2 and Hypothesis 3 are only partially supported.

CONCLUDING REMARK

Despite a growing body of social responsibility researches, the attentions fall mostly on large Western enterprises and leading groceries. Whereas along with economic development and life-style change, business ethics and social liability issues, such as food-safety, are never less urgent

in the emerging economies. Much of product-harm publicity can jeopardize long-standing consumer trust and market stability. This study proposes the potentials of prior WOM quality reputation and a responsible attitude in reducing business product-harm threats in a small-scale retail setting. The outcome is conducted in terms of CSR relevance, including consumer attribution, trustworthy and non-self-interest image, and regaining of market stability. Business ethics and social responsible actions signal a fundamental moral message to the normally amoral behavior linking consumers and retail businesses (Jamali & Neville, 2011), regardless the firm's size or scale of the market. This study is one of the few studies that provide experimental evidence for examining such a purpose.

Several managerial implications are summarized. Overall, the current findings evidence that product-harm publicity may trigger consumer attributions of a firm's product-safety responsibility, and damage the firm's CSR image due to consumers' loss of trust and creation of a self-interested impression regarding the firm. These together will further hurt the market stability and the firm's quality reputation built previously. However, these wounds may also be lessened due to prior WOM reputation and a responsible attitude in response to the negative incident. Mainly, these two CSR-related mechanisms can consolidate consumer confidence when information about product safety is not clear. Yet between the two means, the responsible action seems more effective than prior WOM reputation in changing the undesired outcomes. That is, positive outcomes, including trustworthy and non-self-interested CSR image and future market stability, appear to be due primarily to a use of responsible actions in dealing with the product-harm trouble, rather than simply a dependence on prior WOM reputation or CSR image.

A company therefore can regard product-harm crisis as a "turning point", because when a firm's action is in consumers' expectations, consumers may express higher sympathy and lower emotional anger and are more likely to give the firm one more chance to adjust the defect even though the defect is due to the firm. This information processing cue may help retailers build a post-crisis CSR reputation, dispensable a high amount of cost. Nonetheless, product-safety is important in food industry. Consumers care about it and will blame the firm for harm publicities, regardless the firm's fame or prior good behaviors. Therefore, the best way to protect a firm away from product-safety occurrences is having an aggressive plan of product quality and safety prevention in place.

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