

The Effect of Corporate Scandals on Customer Loyalty- A Case Study on Primark

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ABSTRACT

This paper investigates the effect of corporate scandals on affective customer loyalty. A review of current literature showed, that there is limited research on the affective antecedent of customer loyalty and hardly any research on the effect that corporate scandals have on affective loyalty. In order to fill the gap in the current literature for this subject of growing interest, this paper made use of the Primark scandals in order to conduct a Vignette study. The study assessed customer ratings regarding statements about Primark, relating to parts of affective loyalty; customer identification, satisfaction and trust, before and after the introduction of the corporate scandals. The study was executed with a random sample of 42 men and women in Germany. The findings were analysed using a factor analysis and the paired sample t-test in order to test for a significant different outcome after the scandals were introduced. It was found, that corporate scandals affect affective customer loyalty significantly. The different parts of the affective loyalty construct declined significantly after the corporate scandals were introduced and therefore confirmed the hypotheses of this paper. The most significant decline was found for customer trust. The main implication for firms is to pay attention to the fact that affective customer loyalty is strongly affected by corporate scandals and since it is difficult to rebuild, firms should seek to prevent themselves from negative publicity. They might consider a risk prevention committee or further develop their customer loyalty programs by using insights from this study in order to defend themselves from a loss of customers and therefore significant losses in the market.

Graduation Committee members: Drs.ir. J.C. Kuijpers & A. Priante MSc

Keywords

Customer loyalty, affective loyalty, customer identification, customer satisfaction, customer trust, corporate scandals, vignette study

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1. INTRODUCTION

The market demand for the newest, cheapest and most popular product puts a lot of pressure on companies. This often has the consequence of cutting costs by renouncing sustainability and ethical production (Joy, Sherry, Venkatesh, Wang, Chan, 2012). Often, this is related to production under poor circumstances by neglecting fundamental human and labour rights. However, in order to serve the customers' ever-changing needs, ethical production is being forced in the background.

Conflicting to this, sustainable and ethical production just as fair and safe working conditions become a more popular issue to consider for customers in their buying decision (Joy et al, 2012). The paradox across producing to serve the low- cost demand of consumers and at the same time taking into account sustainable and ethical principles already lead to several scandals.

In 2008, the share price of Facebook dropped after the security breach scandal which affected millions of users' private information (Rodriguez, 2018). In the same year, Johnson& Johnson stock went down after reports appeared about toxic chemicals in their baby powder (Farley, 2018). The most popular case might be the stock drop of Volkswagen after the emission scandal in 2015. After these scandals became public, many customers tended to stop purchasing products made by these companies which in turn had the consequence of a market loss and share price drop. This is affiliated to a decline in customer loyalty due to the appearance of the scandals.

In 2014, the Primark scandal appeared when customers found labels stitched into their clothes containing messages seeking for help like "Forced to work exhausting hours". One year before, in 2013, Primark already provided negative headlines, when one of Primark's production buildings in Bangladesh collapsed and more than 1000 people lost their life's. Quickly afterwards, headlines questioning the ethical and sustainable production of Primark appeared. Consequently, movements like "Anti Primark" appeared and a conflict between customers with low-cost preference and customers who stand for ethical and sustainable principles emerged.

This thesis is inspired by different corporate scandals, whereas a corporate scandal can be described as unethical or illegal actions of a corporation which become public and often questions the legitimacy of a company. The different corporate scandals which occurred during the last years and most often ended in a share price drop, lead to the question about the effect of scandals on the customer. The customer and its buying behavior are growing topics of interest (Oliver, 1999; Keh, Xie, 2009), followed by several investigations on customer loyalty (Dick and Basu, 1994; Oliver, 1999). Customer loyalty can be described as the strength of the relationship between an individual's relative attitude towards the brand or product and the repeat patronage, so the repurchase (Dick and Basu, 1994). The construct of customer loyalty was studied several times and builds the basis for this study (Dick and Basu, 1994; Oliver, 1999). From different research it is known that interruptions like scandals affect customer loyalty to different degrees, on different stages. Due to evidence, given by Allen and Meyer (1990), scandals mostly affect customers on the emotional stage of loyalty. The affective antecedent as part of the most common customer loyalty construct (Dick and Basu, 1994) is mostly related to emotional attachment to- and identification with a brand (Allen and Meyer, 1990), thus the affective antecedent is likely to be most influenced by corporate scandals. Therefore, this thesis focuses on studying the effect of corporate scandals on the affective antecedent of customer loyalty, also called emotional loyalty

(Dick and Basu, 1994) or referred to as affective loyalty during this thesis (Oliver, 1999; Gómez, Arranz and Cillán, 2006).

There is inconsistency in research and knowledge on how corporate scandals affect customer loyalty on the affective antecedent. Most researcher have studied customer loyalty as a broad framework, thus not focused on the affective antecedent (Yuksel & Bilim, 2010; Moscoso, 2017; Oliver, 1999; Back & Parks, 2003). Some have done research on affective loyalty but did not study the relation with corporate scandals (Gómez, Arranz, Cillán, 2006). Knowledge about the effect of corporate scandals or negative publicity in general on the customer is very limited, as pointed out by researchers such as Ahluwalia et al, (2000) and Griffin (1991), and seeks for further research.

Which consequences does presume negligence or unethical behaviour of companies have on the affective antecedent of customer loyalty? In order to gain insights on affective customer loyalty after corporate scandals have occurred, the Primark scandal builds the context of this thesis. A Vignette study is conducted in combination with a survey before and after the scandal is introduced. This thesis looks at the main characteristics of the affective antecedent and creates statements related to these characteristics divided into three parts which make up the concept of the affective antecedent. These are judged by participants and will show whether there is a difference in judgements before and after the scandal was introduced in order to analyse if and how the negative information of scandals influence customers. The goal of this thesis is to contribute to a better understanding of customer loyalty, especially the affective antecedent of loyalty and how it is affected by corporate scandals. Therefore, the research question, this study aims to answer is;

"How does a corporate scandal affect customer loyalty, in terms of customers' affective attitude?"

This thesis is a contribution for businesses, to gain insights on different reactions and judgements to scandals among different customers on the sub layer of loyalty, affective loyalty. It contributes to an understanding of customers emotions and feelings and its impacts on loyalty. This focused study on the affective antecedent is the first of its kind and has not been studied yet in great detail (Yuksel, Bilim, 2010; Moscoso, 2017, Oliver, 1999; Back, Parks, 2003). Practical contributions are given for businesses in order for them to get awareness of customers emotions and feelings and act on this knowledge. Thus, it gives insights for firms to prevent their customer segment and its loyalty to be affected by scandals in order to prevent the firm from losses in market share. Insights can also contribute to the development of loyalty programs or risk prevention, focused on the affective antecedent.

2. THEORATICAL FRAMEWORK

2.1 Customer Loyalty

Since this study aims to conduct research on customer loyalty, insights out of the widely used loyalty framework introduced by Dick and Basu (1994) build the basis for this study. According to Dick and Basu (1994) the development and enhancement of customer loyalty is often central to the marketing department of a firm, since it also appears to be central in the development of competitive advantage. Nowadays, markets change as fast as customer needs and the rapid introduction of new innovations seeks firms to take the managerial challenge of enhancing customer loyalty. Customer loyalty is defined as the relationship between the attitude of the individual and the repeat patronage (Dick and Basu, 1994). The repeat patronage represents to repurchase of a product by the customer. The relative attitude is constructed of cognitive, affective and conative antecedents. This

thesis conducts research on the affective antecedent of customer loyalty. The affective antecedent, also called emotional loyalty, is related to personal attitudes and more subjective expectations towards a brand (Dick and Basu, 1994)

The basis of this study is the loyalty relationship between relative attitude and repeat patronage. The affective antecedent builds one of three components which makes up the relative attitude of an individual and therefore part of the loyalty relationship. Three components of the affective antecedent are included in the framework and build the dependent variable. The three components which make up the affective antecedent are customer identification, customer satisfaction and customer trust. The corporate scandals as independent variable, which affects the components of the affective antecedent, are included in this framework. In this study, only the effect of corporate scandals on the affective antecedent (the components which make up the affective antecedent) is studied. By investigating if and how corporate scandals affect the affective antecedent, it is possible to draw a conclusion on how corporate scandals affect affective customer loyalty and therefore a major part of customer loyalty.

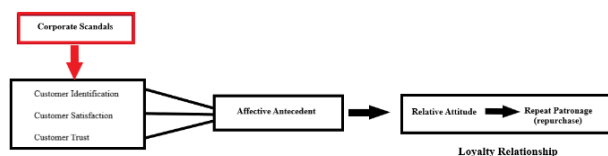


Figure 1: Affective Loyalty Framework

2.2 Affective Antecedent

The affective antecedent is mostly related to emotional attachment to- and identification with a brand (Allen and Meyer, 1990). Consequently, affective loyalty is likely to be most influenced by corporate scandals, since scandals affect customers mostly on the emotional stage (Allen and Meyer, 1990) which finds support by Storm (2013) who describes that customers attitude is influenced by corporate scandals and that scandals mostly affect customers attitude on the ethical or emotional stage. The affective antecedent is rather claimed to evoke feelings related to an object or brand. It includes favourable attitudes related to the brand and individuals' expectations and satisfaction. The affective antecedent and therefore affective loyalty, includes customers emotions, moods, feelings, primary affects, expectations and satisfaction towards a brand or product (Oliver, 1999; Dick and Basu, 1994).

We argue that the affective antecedent is important to consider in customer loyalty and entails customer identification, customer satisfaction and customer trust for several reasons. First, scholars point out that identification, satisfaction and trust are all defined by emotions, thoughts and feelings (Leninkumar, 2017; Lam, Ahearne, Mullins, Hayati, Schillewaert, 2013). These are also characteristics of the affective antecedent (Dick and Basu, 1994). Second, Storm (2013) claims importance on parts of customer trust and identification. Homburg (2009) states that customers brand identification is a key determinant of loyalty. Moreover, Lau and Lee (1999) argue that trust is very important for the development of customers loyalty whereas trust is developed through satisfaction and positive brand experience. Back and Parks (2003) also demonstrate the importance of customer satisfaction in relation to repurchase and therefore customer loyalty. Customer satisfaction was for a long time the only measure for loyalty thus, they describe the satisfaction of customers' needs as fundamental in marketing. This finds support by many researchers like Hallowell (1996) who demonstrated a test on the correlation between customer

satisfaction, loyalty and profitability and found a positive dependence.

2.2.1 Corporate Scandals and Customers' Brand Identification

Customers' brand identification builds the first component of the affective antecedent. Customer brand identification is one core driver of customer loyalty (Woratschek, 2017). It is the consumers' psychological state of perceiving, feeling, and valuing his or her belongingness with a brand (Lam et al., 2010). According to Belk (1988), consumer tend to identify themselves with a brand at an early stage in life, since brands help consumers to accentuate their uniqueness and identity. Therefore, customer brand identification is important in the customers life in terms of their own identity. The customer perceives the brand, its values, meaning and characteristics as their own, which matches insights of Lasswell's (1965) identification theory. The social identity and organisational identification theory suggest that a strong relationship between customer and brand is built on whether the company satisfies one or more of the key self- definition needs (Bhattacharya and Sen, 2003). Keh and Xie (2008) propose, that people go beyond their own identity to develop a social identity by identifying themselves with other people or organisations. The social identity is formed by products, brands and companies. These entities have an image and own identity which customers then might absorb in order to develop their social identity (Keh and Xie, 2008). Customer identification has the consequence of customers being more loyal, willing to try other products of the same brand and positive word of mouth (Bhattacharya and Sen, 2003).

Studies have found that negative information are affecting customers attitudes and beliefs to purchase at this particular company (Griffin, Babin, Attaway, 1991). Moreover, it was found that one piece of negative information has the same impact as five pieces of positive information (Richey, Koenigs, Richey, Fortin, 1975), meaning a corporate scandal has the possibility to neutralise five positive items the customer knows about the company. A corporate scandal has the possibility to affect one's identification and thus belongingness with a brand. If customers feel belongingness and can identify themselves with a brand, its values and characteristics, a corporate scandal appears to be a disruption in this identification process. If the source of identification, so the company, is attacked, the attack can affect the self-esteem of those who identify with it (Einwiller, Fedorik, Johnson, Kamins, 2006). Such an attack can result in a decline of identification with the company or even non- identification (Einwiller et al., 2006). The image of the brand changes, thus the customer perceives the brand in a different way. In case the brand does not serve one of the customers' key self-definition needs anymore, the customer brand relationship might change. Important to consider are findings by Ahluwalia et al. (2000) which showed that customer with a high degree of commitment (before a corporate scandal occurs) are less influenced by the negative information of a scandal or even dismiss it. This is due to the customer- company identification which was formed before and which customers are not expected to give up easily. Customers who did not identify- or commit with the company to a great degree, are more likely to incorporate negative information about a company (Ahluwalia et al., 2000). If a corporate scandal is perceived as unacceptable, both strong and weakly identified customers are likely to be influenced by a corporate scandal. On this basis the following hypothesis is proposed:

Hypothesis 1: Customer brand identification is negatively affected by corporate scandals.

2.2.2 Corporate Scandals and Customers' Brand Satisfaction

Satisfaction with a brand or product builds the second part of the affective antecedent which will be investigated during this study. Satisfaction was for a long time the main feature of loyalty and is still considered very important. Customers' brand satisfaction is, according to many definitions, the comparison between expectations of the customer and performance of a brand or product after the purchase (Bearden and Teal 1983; Oliver, 1999; Homburg et al., 2009). Satisfaction of the customer is affected by objective expectations including product performance in terms of price and quality but also on the emotional stage, considering the brand operations according to human and ethical principles. If the evaluation turns out positive, this will lead to customers' commitment to the brand and eventual repurchase (Bloemer & Kasper, 1995). Kotler (1991) strengthens this and states that satisfaction is characterised by customer expectations, perceived quality and disconfirmation.

Oliver (1999) also believes that customer satisfaction is important in repurchasing and in the development of "ultimate or true" loyalty as also described in the original framework by Dick and Basu (1994), and came up with a satisfaction framework. He describes, that customers first form expectations about a product or service. Expectations reflect anticipated performance and can be distinguished among the nature of the product, about the costs and efforts in obtaining benefit and expectations of social benefits or costs (Churchill et al, 1982). Secondly, the quality of a product is perceived. This is also influenced by the expectations formed before. The quality, perceived by the customer will then either conform or disconfirm the expectations. Disconfirmation is crucial as an intervening variable and arises from discrepancies between expectations about performance of a product and actual performance. The conformity between expectation, the level of disconfirmation and perceived quality positively affects satisfaction.

Literature suggest the existence of the "negativity effect"; that is, people place more weight on negative than positive information in forming evaluations (Skowronski & Carlston, 1989). Furthermore, Ahluwalia et al, (2000) found that when commitment or expectations of a brand are low, customers process negative information in an objective manner. On the other hand, customers with high expectations are expected to perceive the negative information more extensively than the positive information and are therefore stronger influenced by corporate scandals (Ahluwalia et al., 2000). The expectations of the customer are not confirmed by the company when a corporate scandal occurs. The perceived quality of a product is also influenced by the expectations formed before, thus it further disconfirms expectations of a customer towards the company which in turn leads to a decrease in customer satisfaction. However, if the perceived quality of the product stays the same, this effect would not be as enormous (Oliver, 1990). Customers with low expectation towards the company and which perceive the quality of the product as satisfying, are expected to still be satisfied after a corporate scandal occurs.

Another factor in satisfaction is the community. Humans tend to live in groups and seek group affiliation. A brand community is built by admirers of a brand, thus people who share their relationship to a particular brand, company or product. It was found that these communities particularly strengthen customer satisfaction and loyalty (McAlexander, Schouten, Koenig, 2002). Brand admirers have particular expectations towards a brand just as individual customers. If these expectations are high and not met, customer satisfaction eventually declines, since customers are expected to perceive negative information more extensively

(Ahluwalia et al., 2000). On this basis the second hypothesis happens to be:

Hypothesis 2: Customer brand satisfaction declines after a corporate scandal occurs.

2.2.3 Corporate Scandals and Customers' Brand Trust

Customers' satisfaction builds the basis for the development of trust, which is also referred to as a key factor in the development of emotional loyalty and therefore builds the last component of the affective antecedent. Trust is necessary in building customer brand relationships and is crucial for the development of commitment. Trust is built when the customer believes in the reliability and integrity of the firm (Morgan and Hunt, 1994).

According to Delegado- Ballester and Munuera-Alemán (2001), customers' trust in a brand is a feeling of security which is based on the belief that the firm's behaviour is guided and motivated by positive intentions towards the welfare and interests of the customer. It is expected that the firm does not intend to lie, break promises or take advantage of the other's vulnerability. Therefore, it can be argued that less doubt of a firm's purpose leads to less risk in the development of a customer- brand relationship and therefore to more trust.

Matching to these perceptions of trust, Keh and Xie (2008) came up with the idea, that companies gain customer trust in different ways. First, by the reduction of stakeholders' uncertainty towards the company through a steady performance over a longer period of time in order to create confidence. Confidence is important in the creation of trust and a high reputation can strengthen this. Thus, they propose that higher brand reputation leads to more trust. Second, they describe following features as relevant for customers; credibility, reliability, responsibility, trustworthiness (Fombrun, 1996) and quality and prominence of the brand (Rindova et al., 2005). Lastly, Keh and Xie (2008) point out that trust is very fragile and can easily be destroyed, thus companies should avoid to behave negatively.

A corporate scandal is a negative behaviour by a firm which becomes public. This negative behaviour builds a dilemma with regards to their credibility, reliability and trustworthiness (Fombrun, 1996). Customers are in need of security and a company which does not break promises or lie. Customers trust companies in order to serve their needs and have certain expectations towards a product but also the company itself. If customers expect the company to act according to ethical and sustainable principles, a corporate scandal might disappoint the customer's expectations and abuse their trust. As described by Keh and Xie (2008), trust is very fragile and needs time to develop. If expectations and promises are not met, customer trust declines and it is difficult to rebuild. According to this, the following hypothesis seems to be entitled:

Hypothesis 3: Customer trust declines after a corporate scandal occurs.

3. METHODOLOGY

In this study, affective customer loyalty is constructed out of customer identification, customer satisfaction and customer trust. Input, in form of oral stories about Primark in general and Primark in relation to the corporate scandal, were given to participants. After the first input, a survey was handed over. After that, the second input containing information about the scandal was given to participants. The same survey was handed over to the participants again. The survey contained statements related to the dependent variables of this study in order to gain insights on their satisfaction, trust and identification with Primark, before and after the influence of information on the scandal.

3.1 Data Collection

Data was collected, using a Vignette study. Vignette studies are a quantitative research method and make use of descriptions of situations or objects (Vignettes) to respondents in order to evoke their judgments and opinions about these scenarios (Atzmüller and Steiner, 2010). A Vignette study is selected since it combines characteristics from experiment designs and surveys. Therefore, it has high internal validity, due to the experimental design and also external validity due to the survey characteristics (Atzmüller et. al., 2010). This enables to generalized the outcome of Vignette studies. The study is designed according to a within-subjects approach, where each respondent judges exactly the same set of Vignettes (Atzmüller et. al., 2010). Since this study aims to make a conclusion about the effect of scandals on the loyalty of the whole sample in order to make the outcome generalizable and widely applicable, a within- subject study was most appropriate. For this type of design, a small sample is necessary, therefore the study was conducted with a sample of 42 people.

The unit of analysis were Men and Women between 20 and 65 years in order to secure a balance in age and gender and to provide a generalizable outcome for customer loyalty. Attention was also given to differentiation among education level and the attitude of participants towards the firm, in order to provide sufficient control variables and to avoid biased outcomes. The data collection took place in Germany; therefore, the outcome of this study might be considered for the German market. Participants took place in the research on a voluntary basis; thus, they did not get any incentive besides contribution to a meaningful outcome.

The Vignette was built on descriptions of Primark in general and the Primark scandal to evaluate the difference when the Scandal input was introduced (Appendix B). The Judgement of participants was tested by using a survey after each Input was given. At the beginning of the survey, the control variables were introduced by asking participants for their gender, age, education and current attitude towards the company. The first survey consisted of 16 statements (Appendix B). The statements were connected to customer trust, customer satisfaction and customer identification. Participants had to judge these statements on a five-point Likert scale. The same statements were used in the second survey. Listening or reading the vignettes and filling in the surveys took participants about 20 minutes.

3.2 Variables

Table 1: Variables and Hypothesis

Variables	Hypothesis	
Corporate Scandals		
Affective customer loyalty		
	Tust	Customer trust declines after a corporate scandal occurs
	Satisfaction	Customer brand satisfaction declines after a corporate scandal occurs
	Identification	Customer brand identification is negatively affected by corporate scandals

3.2.1 Independent Variable

The independent variable of this research is the corporate scandal. This study made use of the Primark scandals as the context of the study. In order to test for a significant effect of scandals on affective customer loyalty, two different Inputs were used. One input contained general Information about Primark, the other contained information on the scandal (Appendix B). This was to test for a differentiation in judgements after the scandal (independent variable) was introduced. The information which was used to build the vignette, was gathered by extensive literature reviews in order to avoid inconsistent or biased

information. Furthermore, the vignette was consistent from participant to participant, meaning the exact same information was used each time. This was to ensure reliability.

To further verify this study, an explanatory factor analysis was conducted. Although the sample size of 41 was small compared to the recommended size, a factor analysis can still yield god quality results (Winter, Dodou, Wieringa, 2009). First, this thesis made use of the Kaiser- Meyer- Olkin measure, in order to test for an adequate sample. The value turned out to be .758 and therefore above the recommended value of .6. Furthermore, Bartlett's test of sphericity showed a statistical significance with $p = .000$ (Appendix C).

Principal component analysis was used as extraction method during the factor analysis. The number of factors to extract was set to three, since this study aimed to investigate three constructs of the affective antecedent. The Initial eigen value indicated, that these three factors explained 39.74%, 10.98% and 8.28% of the variance (Appendix C). Varimax was used as rotation method in order to highlight the important variables, so interpretation becomes easier and more straightforward.

It was observed that all of the 16 items (statements) were loading at least 0.30 on one or more factors, thus no item was extracted. Eight items were found to have cross loadings among two or even all three factors and it was chosen to add the items to the factor where it has the highest loading. The factor loadings can be found in the appendix (Appendix C).

3.2.2 Dependent Variables

The dependent variables are customer trust, customer satisfaction and customer identification as parts of the affective antecedent of customer loyalty. Affective loyalty is implicit. In order to test for a change in the affective loyalty of customers, different statements relating to trust, satisfaction and identification were given in the surveys (Appendix B). The statements were based on insights gained during the literature review on how each variable (identification, satisfaction, trust) is constructed. The traits which make up the variables were used in order to come up with survey questions. No second hand data in terms of questions was used during the survey construction. Participants were to judge on the statements relating to the three parts of the affective antecedent individually in order to show the effect of scandals on the different parts of the affective loyalty. A five-point Likert scale was used for participants to judge the statements. The scale was structured from low to high, thus from strongly disagree to strongly agree. The answers were translated into the SPSS software in numeric values, from 1 (strongly disagree) to 5 (strongly agree). In order to ensure reliability, the Vignette and the surveys were consistent from participant to participant. Also, the data for each participant were measured according to the same principles, using the same scale and the same statistical test. The consistency during the data gathering process in terms of standardized information collection procedure, a standardized survey using the same scale and a standardized statistical test ensures reliability. Next to that, Cronbach alpha was used during the data analysis in order to assure internal reliability of the scale.

3.2.3 Control Variable

The control variables of this paper are gender, age and education. These variables tested, whether the outcome differentiates according to men and women, different ages and education levels of participants. Additionally, the control variable attitude towards company was introduced. This showed whether the respondents already had a significantly bad or good attitude towards the company before taking part in the survey and therefore tested for biased responses.

4. DATA ANALYSIS AND RESULTS

In order to measure the deviation in customer identification, trust and satisfaction with the brand before and after the scandal occurred, this study made use of statistical tests using the SPSS software. First, a factor analysis was conducted. This was done in order to check which statements in the survey are loading on which construct of the affective antecedent. Next, the statements which did not load on the particular construct were removed or in case they were reloading on a different construct, they were moved to that particular construct. After that, the mean for the loading statements according to each construct was calculated in order to end up with a mean for each construct. This was done for both, data gained before and after the introduction of the scandal. Finally, a paired sample t- test was used in order to determine the difference in mean between the two surveys of the same sample. Therefore, it was tested whether the mean of responses before and after the introduction of the scandal differed and whether the difference was significant.

In order to make use of a paired t- test, a data set needs to fulfil certain requirements. The dependent variables need to be interval or ratio. The dependent variables trust, satisfaction and identification were measured on a Likert scale, which is assumed to be continuous, thus interval. Furthermore, it was assumed that there will not be major outliers and that the dependent variables are approximately normally distributed, which appears to be another requirement of using a paired t-test.

Within this chapter the findings of this study, regarding the effect of corporate scandals on customer loyalty, are pointed out. The data was translated into numeric values. The Likert scale used during the survey reached from Strongly disagree, Disagree, Neutral, Agree to Strongly agree. This was translated into a scale from 1 to 5, whereas 1 stands for strongly disagree and 5 for strongly agree, thus from low to high.

42 people participated in this study however one case appeared to be invalid and was therefore excluded. Finally, the sample size was 41 of which 21 people were female and 20 males (Appendix A). Most participants, namely 28, were between 20 and 40 years old. 13 people were between 41 and 65 years old (Appendix A). Most participants stated, that they have a high school degree, 14 went to secondary school and three people indicated they graduated at a university (Appendix A). In order to be aware of biased responses, due to a high rate of negative attitude towards the company, already before taking part in this study, the attitude towards it was added as control variable. It was found that most people had a neutral attitude towards the company. 16 people stated they think about the firm as rather bad or bad. Eight people indicated to have a rather good or good attitude towards it (Appendix A). This thesis looked at the three parts of the affective antecedent separately in order to make an accurate statement on how corporate scandals affect customer loyalty, thus on which sub- layer and to which degree.

It was found that a difference in age, gender and education had no significant influence on the outcome of this study. In general, it was found that women had a slightly higher score on their judgement according to identification, satisfaction and trust during the pre- test. However, it was found that for the post- test, thus after the scandal was introduced, the result for both men and women in judgement decreased to a similar extent. Regarding the different age groups, no significant difference was found before and after the introduction of the scandal regarding all three dependent variables. This was also found regarding the different education levels. Thus, gender, age and education had no significant influence on the results (Appendix A).

4.1 Customer Identification

During the factor analysis it turned out that four items out of the survey were loading on customer identification. Whether participants thought that the price- performance ratio of the company is appropriate is loading on their identification with the company with a value of 0.72. Whether the customers consider ethical and sustainable production principles is loading negatively on their identification with 0.48. An item regarding customers identification with the company is loading on identification with 0.57 and whether participants would recommend it is also loading positively on their identification with a value of 0.79.

In order to check for internal reliability of the construct, Cronbach alpha was used. One case was excluded due to an administration error. The Cronbach alpha appeared to be 0.71 which is a sufficient value and therefore yield reliability of the construct. Therefore, four items were included in the following analysis.

Reliability Statistics Identification		
Cronbach's Alpha	Cronbach's Alpha	N of Items
	Standardized Items	
0,712	0,702	4

The mean score of the three statements for the pre- and post-survey was calculated. Afterwards, both means were tested using the paired sample t-test. There was a significant difference in the scores for customer identification in the first survey (M= 2.86, SD= 0.73) and customer identification in the second survey, after the introduction of the scandal (M= 2.58, SD= 0.65 conditions; $t(40) = 2.32$, $p = 0.026$). These results suggest that corporate scandals have an effect on customer identification. This means that customers identify less with a company after a corporate scandal occurs.

Table 2: Paired Sample T- Test - Customer Identification

Paired Samples Test Identification		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error	95% Confidence Interval				
Pair 1	Mean Identification 1 - Mean Identification 2	0,28049	0,77499	0,12103	Lower 0,03587	Upper 0,52510	2,317	40	0,026

The difference in mean between the outcome of the first survey and the outcome of the second survey, after the introduction of the scandal, is significantly different. We found proof to accept our hypothesis that corporate scandals decrease the degree of customer identification with a company, by finding a significant effect ($p = 0.027 < \alpha = 0.05$) of corporate scandals on customer identification.

4.2 Customer Satisfaction

During the factor analysis it turns out that six items out of the survey are loading on customer satisfaction. Whether participants expect that the company acts and behaves like they suggest is loading on satisfaction with 0.59. The overall satisfaction of customer with the company is loading on the construct with about 0.46. Whether the products meet customers' expectations is loading with 0.646. Whether people can identify with the firm's values and beliefs is also loading on the construct of satisfaction with about .069. Lastly, whether people consider the opinion of others towards a store and whether they feel part of a community when purchasing at this store score 0.68 and 0.53 on this construct.

Cronbach alpha was used to check for internal reliability of the construct. Again, one case was excluded due to an administration error. The Cronbach alpha appears to be 0.66.

Reliability Statistics Satisfaction		
Cronbach's Alpha	Cronbach's Alpha Standardized Items	N of Items
0,656	0,627	6

Next, the mean score of the outcome for the first and second survey was calculated, following a paired t- test. There was a significant difference in the scores for customer satisfaction in the first survey (M=2.75, SD=0.63) and customer satisfaction after the introduction of the scandal, so in the second survey (M=2.5, SD=0.63) conditions; $t(40)=2.53$, $p = 0.016$. Therefore, the mean is significantly different. These results suggest that corporate scandals do have an effect on customer satisfaction.

Table 3: Paired Sample T-Test - Customer Satisfaction

Paired Samples Test Satisfaction									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Lower Upper				
Pair 1	Mean Satisfaction 1 - Mean Satisfaction 2	0,29268	0,74235	0,11594	0,05837	0,52700	2,525	40	0,016

In general, the judgements before and after the introduction of the scandal are significantly different. We found proof to accept our hypothesis that corporate scandals decrease customer satisfaction with a company, by finding a significant effect ($p = 0.016 < \alpha = 0.05$) of corporate scandals on customer satisfaction.

4.3 Customer Trust

The factor analysis showed that six items out of the survey are loading on customer satisfaction. Whether participants trust the company (0.68), whether they have ever been disappointed by that company (0.69) and whether it appears to be transparent about their processes (0.75). Next to that whether people think that the production is ethically correct, is loading on customer trust with 0.68 and an item measuring their enjoyment in purchasing at this company is loading with a value of at 0.68. Lastly, whether people rated the company as one of their favourite traders is loading on the construct with 0.805.

Cronbach alpha was used to check for internal reliability of the construct. Again, one case was excluded due to an administration error. The Cronbach alpha appeared to be 0.57.

Reliability Statistics Trust		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0,547		6

As for the other constructs of the affective antecedent, the mean outcome of both surveys was calculated followed by a paired t-test. There was a significant difference in the scores for customer trust in the first survey (M=2.44, SD=0.54) and customer trust in the second survey (M=1.95, SD=0.52) conditions; $t(40)=4.46$, $p = 0.000$. These results suggest that corporate scandals do have an effect on customer trust.

Table 4: Paired Sample T-Test - Customer Trust

Paired Samples Test Trust									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Lower Upper				
Pair 1	Mean Trust 1 - Mean Trust 2	0,48432	0,69464	0,10848	0,26506	0,70358	4,464	40	0,000

In general, the judgements before and after the introduction of the scandal are significantly different. We found proof to accept our hypothesis that corporate scandals decrease customer trust with a company, by finding a significant effect ($p = 0.000 < \alpha = 0.05$) of corporate scandals on customer trust.

5. DISCUSSION AND CONCLUSION

The aim of this thesis is to investigate the effect of corporate scandals on the affective part of customer loyalty. In order to answer the research question; "How does a corporate scandal affect customer loyalty in terms of customers' affective attitude?", the affective part of customer loyalty was further divided into three parts which build the affective antecedent. It was found that corporate scandals have an effect on all three variables; customer identification, customer satisfaction and customer trust.

When it comes to customer identification, it was expected that a corporate scandal would negatively affect this identification. We found that four items of the survey are loading on customer identification. The total mean, of the items which make up customer identification, of the first survey so before the introduction of the scandal is 2.86. This mean decreased after the introduction of the scandal by 0.28 which makes a value of 2.58. After the scandal introduction, participants stated that the price and performance of the company is not appropriate. Even though its prices remain very low which fits the need of low- cost customer demands, participants find it not appropriate in the light of the scandals. This suggest, that the price of a product matters less when a scandal by the company gains publicity which finds support by Griffin et al. (1991) who found that the negative information due to a corporate scandal, affect the customers attitude and beliefs to purchase at a company. Eventually, this finds further support by Richey et al. (1975) when he stated that negative information weight more than positive information and can easily destroy the positive information. The low price, which might be perceived by most people as positive, loses its value when combined with the negative information from the corporate scandal.

Furthermore, customers willingness to recommend a company declines. The fact that this phenomenon appears after the scandal was introduced, strengthens the hypothesis that identification decrease after a corporate scandal appears. Support for this can be found by Bhattacharya and Sen (2003) who found that customer identification with a company has the consequence of positive word of mouth, therefore the decreasing recommendation is a clue for a decline in identification or even non- identification which fits the findings of Einwiller et al. (2006) who investigated this phenomenon before.

Unexpected was, that the number of customers who identify themselves as sustainable and ethical customers, increase after the scandal was introduced. It seems like the negative information affects customers consideration of ethical and sustainable production and raises awareness. This might be another clue for a significant decline in customer identification; Primark as case of this study is a low- cost producer in the fast fashion branch which is often associated with poor production circumstances. This is part of the company as a whole, its' image and values. The shift of people to prioritize sustainability, shows that identification declines since people do not perceive its value, beliefs and characteristics as their own anymore, matching to Laswell's (1965) identification theory.

It was surprising, that customers identification with the company's products decreases with a mean difference of 0.39. Practically, a scandal does not affect the product a firm produces, meaning the product would normally stay the same, or at least it does in this case. Usually, the product would still serve the needs of the customer as it did before the scandal. The difference after the scandal was introduced is significant and highest inside this construct of customer identification. Therefore, the negative information due to scandals affect how the customer perceives the product. The customer does not only associate the negative

information with the firm in general but reflects it on the firm's products. This outcome strongly supports the organizational identification theory, which states that a company needs to satisfy key self-definition needs in order for customer to develop strong identification with the company (Bhattacharya and Sen, 2003). It seems, that the corporate scandal builds a disruption in the identification process since customer cannot identify with the negative information regarding the scandal, thus key self-definition needs are not served. Therefore, a firm does not only need to serve the objective needs of a customer by providing the right product, much more important, when it comes to customer-company identification, are the satisfaction of subjective, self-definition needs.

The findings of this thesis cannot support the claim made by Ahluwalia et al. (2000) that customer with a high degree of commitment, thus with a positive attitude towards a brand, before the scandal input would be less affected by the negative information than customers whose attitude was already low before (Appendix A). During this investigation there was no difference in reaction regarding the attitude that people had before the scandal was introduced. A possible explanation for this might be, that the scandals introduced in this study might be perceived as unacceptable, due to their great extent with several fatalities, which Ahluwalia et al. (2000) found to influence both, strong and weakly identified customers, to the same extent.

Next, customer satisfaction will be discussed. It was expected that customer satisfaction decreases after a corporate scandal occurs. This hypothesis is approved, since customer satisfaction is significantly influenced by corporate scandals (0.016). Six items of the survey are loading on customer satisfaction. The total mean of the first survey so before the introduction of the scandal is 2.75. This mean decreased after the introduction of the scandal by 0.29 which makes a value of 2.5.

During the second survey, participants overall satisfaction with the company decreases significantly. Satisfaction is, according to Oliver (1999) an interaction between expectations and perceived quality which is then either confirmed or not by the performance of the company or their product. When it comes to expectations, most participants describe how the company's behaviour does not meet their expectations. Customer satisfaction is defined by whether a company and their product meet the customers' expectations in terms of objective and subjective expectations. The judgement of whether the company meets customers' expectations decreased after the introduction of the scandal. The negative information influence subjective expectations according to ethical principles shown by the decrease in satisfaction according to its behaviour. The objective expectations of customers regarding products are met to the greatest extent. The value only decreased to a minimum. Participants expectations regarding the products is not much influenced by the negative information due to the corporate scandal. This might be since the product itself and the expectations of customer regarding this product basically stay the same. When comparing this outcome with Kotler (1991) and Oliver (1999), who found that satisfaction is built by the combination of expectations, perceived quality and the confirmation of both we find that subjective expectations end in disconfirmation, whereby the more objective perceived quality is confirmed. This in turn leads to an overall decrease in satisfaction, however with a mean difference of 0.29 this is not enormous. Explanation for this phenomenon was already given by Oliver (1999) who found that if either expectations or the perceived quality of the product stays the same, the decrease in satisfaction will not be as enormous as if both items experience disconfirmation to the same amount. We can find support for this argument, since it appears to be true for this study. Therefore,

customer satisfaction decreases after the introduction of the scandals, however due to the unchanged quality of the products, satisfaction is not totally absent.

Next to that participants judgement regarding the firm's values and beliefs deteriorated. People cannot identify themselves with its values and beliefs after introducing the scandal. This might also be an item which is related to customers' expectations regarding the company. Customers have certain expectations about what a company gives attention to, what their beliefs are and what they see as important. Earlier it was already found that ethical and sustainable production becomes more important for customers (Joy et al, 2012). Customer expectations about a company to produce according to these principles are, with the introduction of the corporate scandal, not confirmed in the end. Therefore, the low value that customers score regarding the firm's values and beliefs after the scandal was introduced, is a logical consequence with regards to the dilemma of growing interest in sustainable end ethical production of customers.

Customers' feeling as part of a community decreased, but was already relatively low during the first survey (<2). This might be, since Primark as construct of this study cannot be considered a "brand" in that sense. Primark cannot be compared to brands whose focus is on differentiation. People do not buy at this firm because it makes them different and therefore, they feel part of a community, but because it convinces with low costs. This study did not find whether customers' feeling as part of a (brand-) community declines after a corporate scandal occurs, since participants did not consider themselves as part of a community during the first survey and this value did not change significantly after the scandal was introduced. Next to that, people consider the opinion of others towards a store when purchasing, to the same extent as before the scandal was introduced, therefore the opinion of others is important to customer no matter under which circumstances. Thus, these two items seem not to be much influenced by a corporate scandal.

Out of all three components of the affective antecedent (identification, satisfaction and trust), trust of customers is most affected by corporate scandal. With a p-value of 0.000 the difference in judgements before and after the introduction of the scandal is highly significant. Six items were loading on trust with a mean score of 2.44 before and a mean of 1.96 after the scandal was introduced.

Overall people lost their trust in the company after the scandal was introduced. The value decreased significantly. We can find explanation for this by Keh and Xie (2008) who found that trust is built in different ways, whereby it is important that companies perform steady over a longer period of time in order to reduce stakeholders' uncertainty. The scandals included in the Vignettes, appeared within less than three years, therefore conflicting to the argument of Keh and Xie (2008), the company failed to perform steadily over a certain period of time. Trust that people put in the company got abused over and over again and as also described by them, trust is very fragile and is difficult to rebuild. People state that they are disappointed by the firm's behaviour which differs significantly from their statements in the first survey. Disappointment is an important factor when it comes to trust. The negative behaviour of the firm appears to be a disappointment with regards to peoples' expectations of reliability and trustworthiness regarding the firm (Fombrun, 1996). The customer is in need of security when she or he trusts a company by purchasing their products. Due to the scandals, the company cannot longer provide this feeling of security and therefore disappoints the customer which in turn decreases their trustworthiness.

Important to mention is also the role of transparency, openness, safety and ethics. People's perceptions of the company as having these characteristics decreased significantly. People state that they find that the company is not transparent about their production and procedures inside the firm. They also state that they think the production is not ethical, sustainable or safe, after the scandal was introduced. These findings are very much supported by Delegado- Ballester and Munuera-Alemán (2001), who found that a feeling of trust is built on the belief that a firm is motivated by positive intentions. It is important that a firm does not take advantage of others vulnerability which a firm eventually does, according to the corporate scandals. A firm should not lie or break promises. However, by claiming the importance of ethical trading and good working conditions as a company, the company builds a dilemma by how they produce in reality which eventually leads to a less reliability. Due to these disappointments, the customer- company relationship changes.

General enjoyment of customers when purchasing at the company, as one item of the survey, declined after the scandal introduction. Customers do not enjoy to purchase at the stores anymore and therefore might not purchase products anymore. This makes it hard to rebuild the customer- company relationship (Delegado- Ballester, Munuera-Alemán, 2001) and therefore trust. Supporting to this, customers state that the company cannot be considered as one of their favourites. Whereas some participants considered the company in their circle of favourite trader, this eventually changed after the scandal was introduced, meaning that even the most loyal customers changed their mind due to the negative information, which directly affects customer loyalty.

The affective antecedent is a major part of customer loyalty and turns out to be significantly affected by corporate scandals. Since this study investigated only one out of three parts of loyalty (Dick and Basu, 1994) we can only suggest that a decline in affective customer loyalty has an impact on the whole construct of customer loyalty. Thus, we suggest that customer loyalty declines as a whole after a corporate scandal occurs. This total decline might not be highly significant, however when taking the previous findings into account, corporate scandals have an effect on customer loyalty.

6. CONCLUSION

Customer loyalty in general is a topic of interest for researchers as well as managers. Previous research generally focused on how customer loyalty is constructed in general rather than focusing on one part of customer loyalty. Next to that, very little knowledge is available on how negative information e.g. due to a scandal affect customer loyalty. Seeking to fill this gap in the current literature, this thesis aimed to give detailed insights on how corporate scandals affect a particular part of customer loyalty, namely the affective- or emotional loyalty, by analysing the affective part of customer loyalty. The affective antecedent combines customer identification, customer satisfaction and customer trust and with use of vignettes in combination with a survey, it was tested how these parts are affected by corporate scandals and the negative information that comes with them.

The findings show, that the affective antecedent of customer loyalty is significantly affected by corporate scandals. All three variables which together build the affective antecedent, score significantly lower after the corporate scandals were introduced which approves the three hypotheses. A corporate scandal has the effect of customers not being able to identify with the particular company anymore. Customers can not identify with the firms' values and beliefs, neither with their products. No matter how strong the commitment with the firm was before the scandal occurred, identification of the customer declines to the same

extent for low- and strong customer- company relationships. Just as mentioned, a corporate scandal has the consequence of a decline in customer satisfaction. The findings support previous research that satisfaction declines if expectations and product quality are not met by the company. However, this research showed that customer satisfaction was not absent after the scandal due to the fact that the product itself, still satisfies the customers' needs. Thus, according to these findings, product satisfaction is therefore they key to keep customers loyal to a firm after a corporate scandal occurs. The variable which was mostly affected by the introduction of the corporate scandal is trust. Customers tend to lose their trust regarding the company, their products and ethical beliefs. Corporate scandals have the consequence of customers being disappointed and a lack of enjoyment in purchasing at this particular company. Important to consider, is that even the most loyal customers, who mentioned the company as one of their favourites, lose their sympathy after a scandal occurs.

Therefore, this study found evidence to state that corporate scandals have a strong negative effect on affective customer loyalty. They affect all components of the affective antecedent significantly which in turn affect the whole construct of customer loyalty. It can be concluded that, since the affective loyalty is a major part of customer loyalty in general, corporate scandals have in turn a major negative effect on customer loyalty. After a corporate scandal, only the products themselves, if they still meet the needs of the customer, can defend the firm from losing their customers to a great extent.

6.1 Limitations

Some limitations can be found in this study. First, the sample size was relatively small. In the light of the qualitative research method used the sample size seems sufficient, however a larger sample size could provide more accurate results and therefore more reliability. Next to the sample size, the study took place in Germany and might be limited to German customers. Second, the Cronbach alpha for trust was the lowest with 0.547 and for satisfaction it was 0.656 which is not sufficient and can therefore not be called reliable. Furthermore, some items showed a low correlation with other items. This suggested that one or more items were not measuring the same underlying construct however, they were included since they were loading on the particular construct. Another explanation for the low Cronbach alpha might be the small sample size. Lastly, Primark is a low-cost fashion provider and cannot generally be called a "brand" in that sense. The value for customer identification, satisfaction and trust might be different in the differentiation/ high- quality sector in which customers eventually buy for the brand's name. Therefore, the outcome might yield higher reliability for the low-cost industry.

6.2 Recommendations and Practical Implications

As explained before, this study has several limitations. The case (Primark), used to build the Vignettes, might be not widely applicable and seeks for further investigation by a company which is placed in a different sector (differentiation, quality etc.). Next to that it is recommended that further research focuses on a different research method, using a quantitative approach, in order to have a more generalizable outcome. Lastly, other components of the customer loyalty framework seek for further investigation. This study gave insights into the affective part of loyalty, due to the limited timeframe. According to Dick and Basu (1994) there are other components of customer loyalty as well as moderating variables which were not further considered in this paper. It is recommended to research the whole construct of customer loyalty and how this is affected by corporate scandals in order to

gain a whole picture of the dimensions that corporate scandals can take.

Firms are provided with evidence that negative information affect affective loyalty significantly. It is recommended, that businesses avoid negative publicity to the greatest extent. As pointed out, negative information can be devastating especially when it comes to emotional loyalty. Furthermore, it is recommended that managers take into account that if a product still serves the needs of customers, loyalty will not be fully absent, thus firms should keep up with serving customers' needs by continuous product development. Insight from this study can further be used to design customer loyalty programs which especially aim for affective loyalty since it is the one part of loyalty which is mostly affected by negative information due to a scandal. Lastly, firms might want to use insights from this study to (further) develop their risk committee and risk prevention.

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9. APPENDIX

9.1 Appendix A

Table A 1 Control Variables- Age/ Gender/ Attitude towards the Company

Crosstabulation Control Variables

Attitude towards Primark		% of Total				Total
		Age				
		20-30	31-40	41-50	51-65	
Bad	Female	20,0%				20,0%
	Male	40,0%	20,0%		20,0%	80,0%
	Total	60,0%	20,0%		20,0%	100,0%
Rather Bad	Female	36,4%		9,1%	9,1%	54,5%
	Male	18,2%	9,1%	9,1%	9,1%	45,5%
	Total	54,5%	9,1%	18,2%	18,2%	100,0%
Neutral	Female	23,5%	5,9%	5,9%	5,9%	41,2%
	Male	23,5%	11,8%		23,5%	58,8%
	Total	47,1%	17,6%	5,9%	29,4%	100,0%
Rather Good	Female	66,7%		16,7%		83,3%
	Male	16,7%				16,7%
	Total	83,3%		16,7%		100,0%
Good	Female	50,0%			50,0%	100,0%
	Total	50,0%			50,0%	100,0%
Total	Female	34,1%	2,4%	7,3%	7,3%	51,2%
	Male	22,0%	9,8%	2,4%	14,6%	48,8%
	Total	56,1%	12,2%	9,8%	22,0%	100,0%

This table presents the control variables age, gender and attitude towards the company. This table shows participants attitude towards Primark according to gender and age.

Table A 2 Control Variable- Gender/ Education/ Attitude towards the Company

Crosstabulation Control Variables

		% of Total			
Attitude towards Primark		Education			Total
		Secondary School	Highschool	University	
Bad	Female			20,0%	20,0%
	Male	20,0%	60,0%		80,0%
	Total	20,0%	60,0%	20,0%	100,0%
Rather Bad	Female	9,1%	36,4%	9,1%	54,5%
	Male	9,1%	36,4%		45,5%
	Total	18,2%	72,7%	9,1%	100,0%
Neutral	Female	17,6%	23,5%		41,2%
	Male	35,3%	17,6%	5,9%	58,8%
	Total	52,9%	41,2%	5,9%	100,0%
Rather Good	Female	16,7%	66,7%		83,3%
Good	Male		16,7%		16,7%
	Total	16,7%	83,3%		100,0%
Good	Female	50,0%	50,0%		100,0%
	Total	50,0%	50,0%		100,0%
Total	Female	14,6%	31,7%	4,9%	51,2%
	Male	19,5%	26,8%	2,4%	48,8%
	Total	34,1%	58,5%	7,3%	100,0%

This table presents the control variables gender, education and attitude towards the company. This table shows participants attitude towards Primark according to gender and education.

9.2 Appendix B

Table B 1 Survey Content

Survey
Gender (Geschlecht)
Age (Alter)
Education (Bildung)
Attitude towards Primark (Einstellung gegenüber Primark)
Statements
I do trust Primark as a company (Ich vertraue Primark)
I have never been disappointed by Primark's behaviour or actions as a company (Ich war noch nie enttäuscht von Primarks Verhalten oder Vorgehensweisen als Firma)
Primark acts and behaves according to my expectations (Primark handelt und verhält sich meinen Erwartungen entsprechend)
Primark appears to be transparent and open about their processes and production (Primark erscheint mir transparent und offen über Produktion und Prozesse)
I think Primark production is ethical, sustainable and safe (Ich bin der Meinung, dass Primark unter ethisch korrekten, nachhaltigen und sicheren Bedingungen produziert)
Overall I am satisfied by Primark and its products (Alles in allem stellen mich Primark und dessen Produkte zufrieden)
I enjoy to purchase products at Primark (ich kaufe gerne bei Primark ein)
Primark's products meet my expectations (Primarks Produkte entsprechen meinen Erwartungen)
Primark is one of my favourite stores (Primark ist einer meiner Lieblings Läden)
The price- performance ratio of Primark is appropriate (Primark's Preis- Leistungsverhältnis ist angemessen)
I consider the ethical and sustainable aspect of the production process in my buying decision (ich berücksichtige die ethischen und nachhaltigen Aspekte der Produktion in meiner Kaufentscheidung)
I can identify myself with Primark in terms of values, beliefs and norms (Ich kann mich selbst mit Primarks Werten, Überzeugungen und Normen identifizieren)
I can identify myself with Primark's products since they serve my needs (Ich kann mich selbst mit Primarks Produkten identifizieren, da sie meine Bedürfnisse befriedigen)
I consider myself as part of a community, when purchasing products at Primark (wenn ich bei Primark einkaufe, sehe ich mich selbst als Teil einer Gruppe)
I recommend Primark (their products) to others (Ich habe Primark schon einmal weiterempfohlen)
I consider the opinions of others towards a store and keep it in mind when shopping (Die Meinung anderer gegenüber eines Händlers ist mir wichtig und ich berücksichtige diese beim Einkauf)

This table presents the content of the survey used in this study.

Table B 2 Vignette

Vignette 1 (general information)	Primark is an Irish fast-fashion retailer, which means that Primark's business model is based on the creation of vast quantities of short-lived, low-cost products. Primark offers a wide range of products, from garments, housewares, accessories to footwear and beauty products and has over 350 stores. The company sells clothing at the low end of the market, well below the average price. In 2006, Primark joined the Ethical Trading Initiative, a collaborative organization that brings companies, unions, and NGOs together to work on legal and labor issues. Here you can find some statements by Primark; "At Primark, suppliers and factories are committed to producing our products under good working conditions. People should be treated decently and receive a fair wage. We have no own factories and are very selective about who we work with. To be included on the list of works approved by Primark, each work is tested according to internationally recognized standards set out in the Primark Code of Conduct. The Code covers areas such as pay, employment policy and health and safety." "The well-being of the people who make products for Primark is important to us."
Vignette 2 (information on the scandal)	In 2013, the eight-storey commercial building Rana Plaza collapsed near Dhaka, the capital of Bangladesh. At least 1,127 people died and over 2,438 were injured. The factory housed a number of apparel factories with about 5,000 employees, including Primark. The accident is the worst factory accident in the country's history. In June 2014, two labels, both embroidered with SOS messages, were found in Primark's purchased garments, such as: B. "Forced to work to exhaustion". Primark argued that these label messages were a joke. Another SOS note, found in the pocket of trousers bought a few years ago in a Primark store, said the prisoners were forced to work "like oxen." For export they had to work 15 hours a day and the food they got was not suitable for dogs or pigs. One and a half year later, SOS clues from an alleged Chinese torture victim were found in socks purchased from Primark.

This table presents the Vignettes used in this study.

9.3 Appendix C

Table C 1 Factor Loadings

Factor Loadings

	Trust	Satisfaction	Identification
I do trust Primark as a company	0,676		0,316
I have never been disappointed by Primark's behaviour or actions as a company	0,686		
Primark acts and behaves according to my expectations	0,506	0,594	
Primark appears to be transparent and open about their processes and production	0,751		
I think Primark's production is ethical, sustainable and safe	0,676	0,305	
Overall I am satisfied by Primark and its products	0,456	0,463	0,444
I enjoy to purchase products at Primark	0,680		0,403
Primark's products meet my expectations		0,646	0,499
Primark is one of my favourite stores	0,805		
The price- performance ratio of Primark is appropriate			0,716
I can identify myself with Primark in terms of values, beliefs and norms		0,688	
I can identify myself with Primark's products since they serve my needs	0,476	0,437	0,565
I consider myself as part of a community, when purchasing products at Primark		0,676	
I recommend Primark (their products) to others	0,353		0,792
I consider the opinions of others towards a store and keep it in mind when shopping		0,530	
I consider ethical and sustainable production			0,476

Extraction Method: Principal Component Analysis.

a. Rotation converged in 9 iterations.

This table presents the loadings for each item of the survey on the three constructs of the affective antecedent (Identification, Satisfaction, Trust)

Table C 2 Correlation Matrix- All Survey Items

Correlation Matrix

	I do trust Primark as a company	I have never been disappointed by Primark's behaviour or actions as a company	Primark acts and behaves according to my expectations	Primark appears to be transparent and open about their processes and production	I think Primark's production is ethical, sustainable and safe	Overall I am satisfied by Primark and its products	I enjoy to purchase products at Primark	Primark's products meet my expectations	Primark is one of my favourite stores	The price-performance ratio of Primark is appropriate	I can identify myself with Primark in terms of values, beliefs and norms	I can identify myself with Primark's products since they serve my needs	I consider myself as part of a community, when purchasing products at Primark	I recommend Primark (their products) to others	I consider the opinions of others towards a store and keep it in mind when shopping	I consider ethical and sustainable production
I do trust Primark as a company	1,000	0,346	0,354	0,434	0,463	0,367	0,429	0,191	0,603	0,048	0,272	0,495	0,057	0,453	0,078	0,188
I have never been disappointed by Primark's behaviour or actions as a company	0,346	1,000	0,650	0,477	0,449	0,462	0,402	0,236	0,510	0,015	0,262	0,377	0,335	0,282	-0,019	0,233
Primark acts and behaves according to my expectations	0,354	0,650	1,000	0,297	0,450	0,362	0,357	0,482	0,401	0,053	0,425	0,420	0,450	0,278	0,060	0,096
Primark appears to be transparent and open about their processes and production	0,434	0,477	0,297	1,000	0,412	0,453	0,572	0,200	0,562	-0,043	0,358	0,426	0,223	0,225	-0,043	0,260
I think Primark's production is ethical, sustainable and safe	0,463	0,449	0,450	0,412	1,000	0,313	0,453	0,201	0,675	0,039	0,452	0,491	0,309	0,288	0,144	0,074
Overall I am satisfied by Primark and its products	0,367	0,462	0,362	0,453	0,313	1,000	0,691	0,520	0,415	0,079	0,510	0,605	0,423	0,611	0,279	0,372
I enjoy to purchase products at Primark	0,429	0,402	0,357	0,572	0,453	0,691	1,000	0,481	0,683	0,092	0,430	0,682	0,407	0,587	-0,030	0,203
Primark's products meet my expectations	0,191	0,236	0,482	0,200	0,201	0,520	0,481	1,000	0,351	0,419	0,450	0,568	0,479	0,533	0,216	0,181
Primark is one of my favourite stores	0,603	0,510	0,401	0,562	0,675	0,415	0,683	0,351	1,000	0,140	0,363	0,544	0,314	0,527	-0,021	0,126
The price-performance ratio of Primark is appropriate	0,048	0,015	0,053	-0,043	0,039	0,079	0,092	0,419	0,140	1,000	0,166	0,355	0,054	0,418	0,151	0,237
I can identify myself with Primark in terms of values, beliefs and norms	0,272	0,262	0,425	0,358	0,452	0,510	0,430	0,450	0,363	0,166	1,000	0,521	0,392	0,365	0,361	0,066
I can identify myself with Primark's products since they serve my needs	0,495	0,377	0,420	0,426	0,491	0,605	0,682	0,568	0,544	0,355	0,521	1,000	0,417	0,650	0,235	0,250
I consider myself as part of a community, when purchasing products at Primark	0,057	0,335	0,450	0,223	0,309	0,423	0,407	0,479	0,314	0,054	0,392	0,417	1,000	0,114	0,027	0,253
I recommend Primark (their products) to others	0,453	0,282	0,278	0,225	0,288	0,611	0,587	0,533	0,527	0,418	0,365	0,650	0,114	1,000	0,118	0,317
I consider the opinions of others towards a store and keep it in mind when shopping	0,078	-0,019	0,060	-0,043	0,144	0,279	-0,030	0,216	-0,021	0,151	0,361	0,235	0,027	0,118	1,000	0,005
I consider ethical and sustainable production	0,188	0,233	0,096	0,260	0,074	0,372	0,203	0,181	0,126	0,237	0,066	0,250	0,253	0,317	0,005	1,000

This table shows the correlation among all survey items.

Table C 3 KMO and Bartlett's Test

<i>KMO and Bartlett's Test</i>		
<i>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</i>		0,758
<i>Bartlett's</i>	<i>Approx. Chi-Square</i>	320,433
<i>Test of</i>	<i>df</i>	120
<i>Sphericity</i>	<i>Sig.</i>	0,000

The Kaiser- Meyer- Olkin measure shows the appropriateness of the tested sample, since the value (0.76) is above the recommended value of 0.6. Bartlett's test of sphericity shows a statistical significance with $p= 0.000$.

Table C 4 Eigenvalues

<i>Total Variance Explained</i>						
<i>Component</i>	<i>Initial Eigenvalues</i>			<i>Rotation Sums of Squared Loadings</i>		
	<i>Total</i>	<i>% of Variance</i>	<i>Cumulative %</i>	<i>Total</i>	<i>% of Variance</i>	<i>Cumulative %</i>
✓ 1	6,358	39,735	39,735	4,179	26,117	26,117
✓ 2	1,757	10,983	50,717	2,700	16,878	42,994
✓ 3	1,325	8,279	58,996	2,560	16,002	58,996
✓ 4	1,208	7,547	66,543			
✓ 5	0,979	6,120	72,663			
✓ 6	0,877	5,481	78,144			
✓ 7	0,709	4,429	82,573			
✓ 8	0,571	3,566	86,139			
✓ 9	0,491	3,067	89,206			
✓ 10	0,440	2,750	91,956			
✓ 11	0,343	2,147	94,103			
✓ 12	0,297	1,857	95,960			
✓ 13	0,204	1,273	97,232			
✓ 14	0,195	1,220	98,453			
✓ 15	0,158	0,985	99,438			
✓ 16	0,090	0,562	100,000			

Extraction Method: Principal Component Analysis.

This table shows the total variance which can be explained by each item. This study focused on the three components which explained most of the variance.