

# Brand Crisis and Restoring the Image of the Brand

APARNA KAUSHIK

*Symbiosis College Of Arts and Commerce*

*Abstract- Brand crisis is becoming more prevalent these days in the Global marketplace. The crisis has a catastrophic and ruinous effect. To prevent this crisis in an effective way has become a hot topic among the practitioners and researchers. During this critical period, the pandemic that has enveloped the whole world costing innumerable lives and shutting down the biggest of industries almost each and every brand is facing the crisis. Be it the world's most powerful nation USA or some other country, the virus pandemic has taken several lives and brought the industries to a halt. The economies of the countries have gone down drastically and after things get better it will be a very challenging period for all the brands and companies to get back to the market with the same pace and pull their productivity as well as the capital. This paper includes the brand image as a subject and what kind of crisis can occur in future and different effects it has. The paper is concluded with the strategies to overcome the crisis and finding opportunity in the same.*

## I. INTRODUCTION

### • BRAND AND BRAND IMAGE

In the simplest words "A brand is an identifying symbol, mark, logo, name, word, and/or sentence that companies use to distinguish their product from others. A brand is the company's most important asset. More simply than a name, mark, logo or a word a brand is a feeling a product or business evokes. Brands live in the mind, they live in the mind of everyone that experiences them be it an employee, media, investor or perhaps most importantly, customers.

Brand image is the perception of the brand in the mind of the customer. It is an aggregate of beliefs, ideas and impressions that a customer holds regarding the brand. A brand can be perceived differently by different customers. Hence, the formation of a consistent brand image is a huge task for any business.

### • BRAND CRISIS AND TYPES OF BRAND CRISIS

Whenever there are unexpected events that threaten a brand's perceived ability to deliver unexpected benefits thereby weakening the brand equity it's called brand crisis. Following are the types of brand crisis:

#### 1. Natural crisis:

Disturbance in the environment and nature lead to natural crisis and these are beyond the control of humans. For example: earthquakes, tornados, hurricanes, tsunamis, etc.

#### 2. Technological crisis:

Technological crisis arises as a result of failure in technology. If there is a problem in the overall system then it leads to a technological crisis. Breakdown of machines or corrupted software and problems like these give rise to technological crisis.

#### 3. Crisis of Malevolence:

When some employee does something illegal or against the organization to fulfill its demand, like taking help of the criminal activities, then the organization might face the Malevolence crisis. Acts like kidnapping any company's official or false rumors lead to Malevolence crisis.

#### 4. Crisis of organizational misdeeds:

When the organization takes certain decisions knowing the harmful effects against any external parties or stakeholders then the organization suffers with the crisis of organizational misdeeds. In such cases the higher authorities ignore the after effects and execute the same decision for quick results.

Further this crisis is divided into three different parts:

#### 1. Crisis of skewed management values:

This happens when the management supports the short term growth and ignores the broader issues.

#### 2. Crisis of Deception:

When the management purposely interferes in the data and information of the organization the organization faces this crisis. Management makes fake promises and false commitments to the customers and this wrong communication of information about the organization and its products lead to deception crisis.

3. Crisis of management misconduct:

When the management indulges in the deliberate acts of illegality like accepting bribes, passing on confidential information and so on the organization faces the crisis.

4. Bankruptcy:

When the organizations fail to pay its creditors and other parties and there is lack of funds in the organization it leads to bankruptcy or crisis.

5. Crisis due to workplace violence:

This crisis takes place when the employees are indulged in violent activities like beating employees or seniors or superiors in the office premises.

6. Crisis due to rumors:

Employees must not spread anything which would tarnish the image of the organization. False rumors about the organization lead to the crisis.

7. Sudden crisis:

As the name suggests such situations arise on a very short notice. Managers do not get any warning signals and such situations are beyond anyone's control.

8. Smoldering crisis:

Neglecting minor issues in the beginning lead to a smoldering crisis later. When managers are seeing the crisis they should not sit back and wait for someone else to take the action. They should warn the employees immediately to avoid such a situation.

## II. IMPACT OF CRISIS

According to a research by Lütfiye ÖZDEMİR there are positive effects of the crisis as well as the negative ones. Let's discuss the positive effects first:

- Positive effects:

Contrary to popular belief, a crisis may not be necessarily negative or bad. It is merely characterized

by a certain degree of risk and uncertainty (Fink, 1986). When badly managed, crisis can cause excessive centralized authority, fear and panic among staff, wrong decision making, loose of targets, increased trust loss between managers, staff and stakeholders (Kovoor-Misra, 2001: 81). Because of this, organizations should minimize the negative effects of crisis and make use of opportunities offered by crisis (Ataman, 2001: 238). When managed in a good manner, crisis help to reveal organizational problems, gain skills for change adaptation, developing new strategies and to gain competitive advantage and help questioning usual management understanding (Tutar, 2001: 95).

1. Crisis offer organizational change opportunities:

Crisis offers change and reconstruction opportunities to organizations besides threats. Nowadays most of the managers and scholars argue that, crisis can be regarded as: questioning the assumptions which are not arguable other times, to get opportunity to test targets, experiences, habits, choices, worries, to start a strategic and technological change, discovering new talents and building a team spirit in the organization.

2. Crisis offers organizational learning opportunities:

By learning from experience you make sure the same mistakes are not made again. Crisis creates opportunities during which changes can occur, organizations responding to disaster learn in leaps crisis-by-crisis. Crisis is viewed as the result of a series of accidents and disruptions that are necessary conditions for transformation.

3. Crisis offers organizations opportunities for growth:

It should not be forgotten that this crisis offers great opportunities to organizations to strengthen trust on customer's eyes and make the staff proud of their organization.

4. Crisis offers organizations opportunities to become international:

In 1994, Turkish economy was shocked by the biggest crisis in the last 25 years. During that time, big industry organizations had seen that exporting was the only way of survival and they tripled their share in export total sale. In 1992, net sales of five biggest firms in Turkey, Arçelik, Tofaş, Oyak Renault,

Profilo and Bekoteknik were 32 million TL and share in export were 3%. Two years later sale income of these firms reached 73 million TL by 130% rise and share in export reached 9%.

- Negative effects:

1. Internal communication failure:

During a crisis internal communication can lose its quality. The reason for this can be insufficient information flow from outside of the organization which causes internal communication failure. In this situation there can be problems between decision makers, personnel and data miners.

2. Decreased quality in decision process:

The reason for bad quality of decisions is centralized and fast decisions. Before crisis managers make decisions with their consultants from different departments. After a crisis for urgent decisions they consult only their boss or nearby managers. The reason for bad decisions is insufficient flow of information.

3. Inadequate coordination:

The need for coordination rises during crises. However, due to lack of information, inadequate coordination between departments and personnel shows up. Centralized authority has a role in that. Inadequate coordination can be caused by broken communication between departments.

4. Confusion in mission, responsibilities and authorities:

The most common organizational and managerial structure change occurs in personnel numbers during crises. Main reason for decreased personnel numbers is low production because of decreased demand. Rise in input prices and low sale rates force the organization to make savings. According to managers, the most important resource for making savings is personnel. This saving causes a rise in additional missions for managers. This situation embodies additional jobs for managers and harms the psychological manner of personnel.

5. The rise of fear and panic among the personnel:

One of the most unwanted consequences of the crisis is job loss. The methods to deal with the crisis can cause negative effects on internal balances. The fear among the employees about job loss can lead people

to panic and negativity. This further may lead to stress, concentration problems, depression and feeling of vulnerability and sadness. In the long term they can cause substance abuse, marital problems, mental and physical illness. And if these effects on the employees are not recognized it may lead to disruption of normal business functioning as well as expose the company to direct costs from absences, health care expenses, workers compensation claims and lawsuits.

6. Demoralized staff:

Crisis periods can last long or short. Heavy conditions, time pressure and panic which appears during crisis affects morale of staff. Decreased levels of morale will affect organizational climate. This situation can lead to individual conflicts and decrease mutual trust among the staff.

7. Corrupted relations between departments in organization:

The problems which occurred during the crisis related to management and organization may affect the marketing production and public relations. Lack of coordination and low quality decisions can further affect the activities of all other departments. Due to the internal managerial politics, when the personnel's try to get the change a few against the change being superior suppress the matter or the change. Those who support the change have the fear of getting alienated from others.

Also, one of the foremost recognized studies conducted on the impact of a catastrophe on the stock value of an organization was completed by Dr. Rory Knight and Dr. Deborah Pretty (1996, Templeton College, University of Oxford - commissioned by the Sedgwick Group). The study identified organizations that recovered and even exceeded pre-catastrophe stock price, (Recoverers), and those that did not recover on stock price, (Non-recoverers). The average cumulative impact on shareholder value for the recoverers was 5% plus on their original stock value. So the net impact on shareholder value by this stage was actually positive. The non-recoverers remained more or less unchanged between days 5 and 50 after the catastrophe, but suffered a net negative cumulative impact of almost 15% on their stock price up to one year afterwards.

One of the key conclusions of this study is that "Effective management of the consequences of catastrophes would appear to be a more significant factor than whether catastrophe insurance hedges the economic impact of the catastrophe".

- Examples of successful crisis management:

1. Odwalla foods:

In October 1996, an outbreak of E. coli bacteria in Washington State, California, Colorado and British Columbia was traced to unpasteurized apple juice manufactured by natural juice maker Odwalla Inc. Forty nine cases were reported in 24 hours including the death of a child. Within 24 hours Odwalla conferred with the FDA and Washington State health officials. The company had to establish a schedule of daily press briefings and sent out the press releases which announced the recall, expressed remorse, concern and apology and took the responsibility of anyone harmed by their products. Due to this the company lost one-third of its market value. Then the company developed effective thermal processes that would not harm the products flavor with the help of close relations with media and full newspaper ads.

2. Pepsi:

Pepsi Corporation faced a crisis in 1993 which started with the claims that the diet cans had syringes injected in them. To overcome this, the corporation took out three news videos. In the first one it showed the whole process of production of the product. In the second video it displayed a man arrested. And in the third video it showed surveillance from a convenience store where a woman was caught injecting the syringe. The company simultaneously worked with the FDA publicly. This made the public communications effective throughout the crisis. It later thanked the public for standing by the corporation.

- Examples of unsuccessful crisis management:

1. Bhopal

According to the New York Times having gone through many statements given by the workers, manager or the staff members, all in all, it was due to poor communication and mismanagement costing 2000 plus lives and effecting the upcoming generations. The gas leak when it took place no one bothered to pay attention to it. One of the workers there thought he would fix it after a tea break. Till then

the reaction taking place in the storage tank went out of control. Other workers out there mentioned that the refrigeration unit was shut down by the managers that kept the methyl isocyanate cool and inhibited chemical reactions. The shutdown was a violation of plant procedures. This mismanagement led to this disastrous catastrophe that cost many lives and affected the upcoming lives as well.

2. The Volkswagen Emission Scandal:

In September 2015, the Environmental Protection Agency accused Volkswagen of manipulating its engine controls to be able to pass laboratory emissions tests. The company was not only violating the Clean Air Act by selling vehicles that didn't meet environmental requirements, but it was also violating its customers' trust by making its cars seem more environmentally friendly. Unfortunately, the way the company handled the scandal made things even worse. As the story continued to evolve, the company's response was seen as inconsistent and, at times, contradictory to previous statements, executives claimed that they didn't know about the cheating, only to reveal they did just a few days later. Meanwhile, the company's public relations and social media teams struggled to keep up. As the company set out to recall millions of vehicles, officials promised to reimburse some, but not all customers for their troubles. All the while, consumers reported that the company seemed to be handling the crisis in a dishonest way by not fully "owning" its role in the scandal.

### III. STRATEGIES TO OVERCOME BRAND CRISIS

When bad things happen, companies need the right strategy for talking their way out of a mess and avoiding a calamitous pummeling of their corporate image. Choosing the best response can spell the difference between a brand's survival— even enhancement — and its irreversible tarnishing.

Assessing the brand damage:

"When a brand crisis breaks out, consumers and other stakeholders (e.g., shareholders, the media, and regulators) are likely to raise questions about the affected brand and why the crisis happened such as: who is to blame? Is the event likely to happen again?"

Is it true? What does the crisis signal about the brand?" For this the brand owners need to analyze both the short term and long term effects of the damage caused by the crisis for complete cool headed consideration.

Short term brand damage:

The short term damages can include a drop in sales or a confidence drop in the employees or any kind of commercial attack by an opposite brand. Therefore, the company should in order to avoid any kind of damage earn the trust of the consumers, recover the revenue and deal with the competitors in the right way. How a brand deals with the crisis in the short term has a lasting effect on its reputation in the long term.

Long term brand damage:

Even in the long term damage a brand can only survive if it has established good consumer goodwill. A brand needs to have a reputation in the market, amongst the consumers, and among different brands of the same level. When a crisis occurs people might get wrong information about the brand and start criticizing regarding the same. To survive through this the brand needs to have a good control over the consumer's goodwill that will help it stay for a longer time in the market until the brand recovers from the crisis.

Plan:

Having a backup plan for situations like these is really important for a brand to survive in the market. Having a Plan B is a boon for the company since when any kind of emergency occurs or any kind of crisis takes place the brand should be able to recover from the loss. The brand should know the threats and get ready for them, since it can take years to build a reputation and just a few seconds to destroy it.

Inform:

It's really important to include FAQ's on your website since the customers have to take out their anger and frustration regarding the same and at the same time it's a place to win their trust during the crisis. Till an extent if it's possible the brand should have an alternative for the products as well. Responding to the customers questions and replies in a polite and sensible way can help in maintaining the trust or win the trust again. At the same time the superiors should inform the employees regarding the situation and make sure they know what should be disclosed about the company if

any external parties ask regarding the same. They should be updated time to time with regular briefings so that things are under control.

## CONCLUSION

It should not be forgotten that," Although a crisis is always a dire time for any brand in every crisis there is an opportunity."

Taking the example of the current situation, almost all the countries have their companies shut. But meanwhile, there are several brands that have come up with better ideas. Considering the online shopping apps, so that the business does not shut completely the brands like Amazon, Flipkart and big basket, Nykaa, etc. have taken the responsibility to deliver the essential food items, groceries, and personal hygiene products at the doorstep. Since people are in need of all these essential items during this period of complete lockdown these brands figured out to continue their business not on a large scale but to a minimal extent by taking everything online and delivering it to the doorstep. After all "something is better than nothing."

## REFERENCES

- [1] <https://www.nytimes.com/1985/01/28/world/the-bhopal-disaster-how-it-happened.html>
- [2] <https://www.managementstudyguide.com/types-of-crisis.htm>
- [3] [https://www.researchgate.net/publication/305149013\\_The\\_Positive\\_and\\_Negative\\_Effects\\_of\\_Crisis\\_on\\_Organizations\\_An\\_Application](https://www.researchgate.net/publication/305149013_The_Positive_and_Negative_Effects_of_Crisis_on_Organizations_An_Application)
- [4] [https://en.wikipedia.org/wiki/Crisis\\_management#Lessons\\_learned\\_in\\_crisis\\_management](https://en.wikipedia.org/wiki/Crisis_management#Lessons_learned_in_crisis_management)