

FATAL BRAND CRISIS: CAN BOLSTERING STRATEGY REBUILD THE TARNISHED REPUTATION?

Roslizawati binti Ahmad

Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia,
06010, Sintok, Kedah Darul Aman.

*Corresponding E-mail : roslizawatiahmad@gmail.com

Abstract

Business considers brand reputation is the key to survival for the organization. The occurrence of fatal brand crisis leaves a huge negative impact on the organization. Therefore, the purpose of this study is to examine the best response strategy to overcome the fatal brand crisis. In this study, the linkages between bolstering strategy consist of reminder strategy, ingratiation strategy and victimage strategy to the brand reputation has been examined by adapting the quantitative methodology. PLS-SEM has been employed to analyze the data. The findings show that only victimage strategy is significant, while reminder and ingratiation are not significant to restore the tarnished reputation by the fatal crisis. As a conclusion, this study had answered the hypothesis and contributed to the theoretical and practical contributions.

Keywords: *Brand crisis, brand reputation, bolstering strategy, reminder strategy, ingratiation strategy, victimage strategy.*

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1.0 Introduction

Brand reputation is very delicate intangible assets for the organization, and it is easily be tarnished (Cleeren, Dekimpe, & Helsen, 2007). A slight mistake or crisis of the brand will influence the customer's loyalty towards the brand for long and leave negative effect to the brand reputation. Negative brand reputation can direct to the sale's volume shrinking (Cleeren et al., 2007). The mistakes or crisis which can influence the brand reputation must be solved immediately. Delaying or ignoring in handling the crisis will erode brand's reputation. The brand crisis is a high-impact event that threatens the capability of the organization, change the trust on the organization (Paraskevas, 2006), tarnish an organization's reputation, and decrease an organization's long-term profitability, growth and also its survival (Priporas & Vangelinos, 2008). Brand crisis can be caused in many forms, either internally or externally and the consequences of brand crisis can cause the fatal to the victims.

1.1. Background of the study

Brand crisis not only leave negative effect to the organization development but it also will affect feelings of the customers such as traumatism especially for the fatal case of brand crisis (Dawar & Pillutta, 2000; Cleeren et al., 2007; Yubo et al., 2009; Siomkos et al., 2010). The feelings by the customers will determine the brand reputation of the organization. By focusing on the airline's industry, the example of brand crisis which has tarnished the brand reputation is the tragic doubles cases faced by Malaysia Airlines System (MAS) in 2014. Due to the incidents, MAS has recorded Net Loss of RM307 million for

the three months ended 30 June 2014 and 65% drop than a previous corresponding year, 2013. For the three months ended June 2014, MAS Group revenue fell 5% to RM3.59 billion compared to one year ago (MAS, 2014). The tremendous drop in the sale of MAS tickets is the effect of the crisis and consumers doubt on the safety aspect of their services. The crisis has tarnished their reputation, and it leads to the sale reduction (Raghuvanshi & Ng, 2014). And according to MAB (2016) press room, "2nd quarter is expected to be weaker, and the Group expects to record a loss for the year 2016". This indicates that the past incidents still affect the organization profits and market shares. Not only on profit shrinking, Skytrax, a United Kingdom-based consultancy that carries out international traveller surveys to determine the best airlines and other air travel-related matters has announced that the rank of MAS in 2016 is in number 34 compared to 2013 was in number 14 ("The Worlds Airlines Awards", n.d).

To respond to the brand crisis, many scholars have suggested various strategies based on their research. However, there is very limited research deeply discussed bolstering strategies which consist of reminder, ingratiation, and victimage as a strategy to protect the brand reputation and brand loyalty (Coombs, 2013). Bolstering strategies are strategies that focus on the post-crisis period, and it might determine the acceptances of the brand by customers after the brand crisis occurred. The reaction taken by the organization in handling the brand crisis will indicate the judgment of the public and consumers towards the organization's responsibility. The judgment on the brand crisis response strategy taken by the organization will affect the brand reputation (Cleeren et al., 2007). A slight mistake on brand crisis response strategy will leave a huge impact on the sustainability of the organization, and it may lead to another crisis (Siomkos & Kurzbard, 1994). Therefore, this study will determine the effect of bolstering strategy in responding to the fatal brand crisis based on the case of MAS.

2.0 Literature Review

2.1 Brand Crisis

The literature on the definition of brand crisis will be started by defining the word of crisis. In term of linguistic, the word of crisis is originated by Greek word "krisis" which it is also same use in Bahasa Malaysia means judgment, choice or decision (Paraskevas, 2006). Priporas and Vangelinos (2008) as cited in Fink (1986) defined crisis as an unsteady time or state of affairs in which a crucial change is impending-either one with the diverse possibility of a highly undesirable outcome or one with the diverse possibility of a highly desirable and extremely positive outcome. Normally, it is 50-50 proposition, but anyone can improve the odds. It supported by Heller and Darling (2012) on defining the brand crisis and by adding the crisis also as a turning point for better or worst and a situation that has reached a critical stage.

In the business literature, the brand crisis is a high-impact event that threatens the capability of the organization, change the trust on the organization (Paraskevas, 2006), tarnish an organization's reputation, decrease an organization's long-term profitability, growth and also its survival (Priporas & Vangelinos, 2008). Brand crisis occurred when the product produced by an organization does not meet the mandatory safety standard, contains a deficiency that could cause substantial harm to customers, creates an unreasonable risk of serious harm or death or fails to comply with a voluntary standard implemented by the specific industry (Yubo, Shankar, & Yong, 2009) and it is associated with some brands (Siomkos & Kurzbard, 1994).

The classification of the brand crisis has been discussed by many scholars, and many suggestions have been recommended in classify the type of brand crisis. Evans and Elphick (2005) have categorized the brand crisis into two types, the cobra, and the python. The Cobra type is the suddenly happen crisis

while the Python type is the crisis happen by gradually in the organization. The study of identifying the

Crisis Cluster	Crisis Type
Victim crisis cluster	Natural disaster
	Rumors
	Workplace violence
	Product tampering/malevolence
Accidental crisis cluster	Challenges
	Technical error: accidents
	Technical error: product harm
Intentional crisis cluster	Human error: accidents
	Human error: product harm
	Organizational misdeed

type of crisis continuously increase and lead to the finding of the study by Heller and Darling (2012). Heller and Darling classified brand crisis based on the time frame and in four stages; preliminary crisis, acute crisis, chronic crisis, and crisis resolution. On the other hand, based on the cause of the crisis, Coombs (2013) has categorized the brand crisis into three main clusters in their research. The list of the cluster as in Table 2.1.

Table 2.1: Crisis Cluster

Source: Coombs (2013)

Based on the crisis categories suggested by Coombs (2013), the fatal crisis can happen. The crisis type of natural disaster, technical error on accidents, technical error on product harm, human error on accidents and human error on product harm may cause death to the victims.

2.2. Brand Reputation

Brand reputation is the key asset of the organization. Brand reputation is the estimation by the customers regarding the consistency of product or service quality related to the brand name (Sengupta, Balaji, & Krishnan, 2015). Similar to this, brand reputation also can be explained as for how positively or negatively stakeholders perceived the organization based on direct or indirect experience with the organization (Coombs, 2013). As the intangible asset to the organization, brand reputation is fragile and easily been tarnished. Brand reputation has a strong significant relationship to the quality. Therefore if the quality is different from the customer's expectation, it may lead to the dissatisfied and will tarnish the reputation (Selnes, 1998).

The brand reputation will be tarnished if a brand crisis occurs in the organization. The perceptions of unexpected event that threatens important expectations of stakeholders and might seriously affect an organization's performance and engender negative outcomes (Coombs, 2013). Once the organization suffered the crisis, media reports will play a critical role in the reputation formation. The stakeholders will accept the media reports and judgment on the organizations will start. When the stakeholders process the information about the crisis, it will create an indirect experience to construct the brand reputation. According to Coombs (2013), crisis is an unexpected negative situation and more memorable to the consumers.

However, there are arguments on the role of brand reputation to the organization on the situation of crisis and the crisis response strategy. Well-formed positive brand reputation offers a shield for organizations during the crisis, and it will eliminate some negative effect of the crisis on the organizations (Sengupta, Balaji, & Krishnan, 2015). This has been supported by Schlegelmilch (2013), that well-known

brands acquire the benefit of the doubt and customers recognize the mistakes as less hazardous. However, Coombs and Holladay (2006) found that the organization with higher reputation will negatively effect by the crisis more than lower reputation organization. Consumers expect an extra response by the higher reputation organization which involved in the crisis. This argument has been supported by Hess (2008) and Brady, Cronin, Fox, and Roehm (2008) that excellent reputation will not buffer the effect of brand crisis because it will not reduce customer's perception towards the brand crisis. Therefore, the correct brand crisis response strategy will determine the recovery of the tarnished reputation.

2.3 Bolstering strategy

The crisis response strategy has been divided into four group based on SCCT; denial crisis response strategy, diminish crisis response strategy, rebuild crisis response strategy and bolstering crisis response strategy. Bolstering strategy is the supplement strategy for the brand crisis response strategy (Coombs, 2013). This supplement strategy consists of three sub-strategies which have the potential to re-develop the tarnished brand reputation. The three sub-strategies are reminder strategy, ingratiation strategy, and victimage strategy.

Reminder strategy is a strategy when the crisis manager informs or reminds the stakeholders about the past good performance of the organization. By implementing the reminder strategy, it is a tool to emotionally connect to customers memory. It also will remind the customer's sweet nostalgia with the brand, and it will influence the customer to forgive the brand crisis and then more likely to return purchasing (Braun-LaTour, Latour, & Loftus, 2006). For ingratiation strategy, the main activity will express appreciation and thanks to the stakeholder for their support during the crisis. From this activity, it will directly rebuild the brand association and brand commitment between the stakeholders and the brand. Also, indirectly the ingratiation will repair the tarnished reputation (Coombs, 2007). Lastly, the victimage strategy which the crisis manager will keep reminds the stakeholder that the organization is the victim of the crisis as well. Therefore, it will create the sympathy feelings by the stakeholders, and they will believe that the organization needs their help to overcome the crisis.

Out of the other three type of crisis response strategy which is denial, diminish and rebuild, bolstering strategy is only are supplemental. Bolstering postures seek to build a positive association between an organization and its publics by showing support from the organization for its stakeholders. However, bolstering strategy is not to be used independently but rather in combination with other crisis response strategies (Coombs, 2013). Furthermore, by only implementing the bolstering strategy in response to the crisis, the consumers will judge the organization as avoiding the crisis by focusing on other factors. But, Coombs (2013) also admitted that bolstering strategy would be more effective when it has been combined with other crisis response strategy especially in reminding the consumers that organization is the victim as well. The finding of Coombs (2013) is opposite to the research finding by Brown and White (2010). In their study, Brown and White (2010) found that a bolstering strategy produced the lowest attribution of crisis responsibility for the organization in both positive and negative relationships when it has been used alone. This means that the bolstering strategy does not have to be used as a supplement to other response strategies, but it has its own value. Furthermore, the bolstering strategy has been structured to emphasize an organization's good deeds by reminding the stakeholders why they became involved with the organization from the beginning, which, in turn, it could help to mitigate the crisis.

Consequently, due to the argument on the effectiveness of bolstering strategy as the independent strategy in responding to the brand crisis, this study attempt to investigate the effect of bolstering strategy in the context of Malaysian airlines industry after the fatal crisis occurred. Based on the literature, the hypotheses have been formed as below:

- H1: Reminder strategy will positively affect the brand reputation after the fatal crisis occurred.*
H2: Ingratiation strategy will positively influence the brand reputation after the fatal crisis occurred.
H3: Victimimage strategy will positively influence the brand reputation after the fatal crisis occurred.

2.4 Underpinning theory

Situational Crisis Communication Theory (SCCT) is the root of this study. Originated by attribution theory, SCCT's major focus is the combination of crisis response strategy and crisis situation (Coombs, 2013). A public persona or it is essentially corporate reputation is the main outcome of the SCCT. By linking the elements of responsibility to the crisis situation and crisis response strategy, SCCT has suggested for the crisis manager to exploit the benefits of corporate reputation in choosing the best crisis response strategy. By referring to the SCCT, this study will examine the effect of bolstering strategy as the crisis response strategy on the brand reputation after the fatal crisis happened.

2.5 Theoretical Framework

Based on the above discussion, the researcher has formed a theoretical framework to show the connection between the dependent variable and independent variables for this study. The framework is as in Figure 2.1.

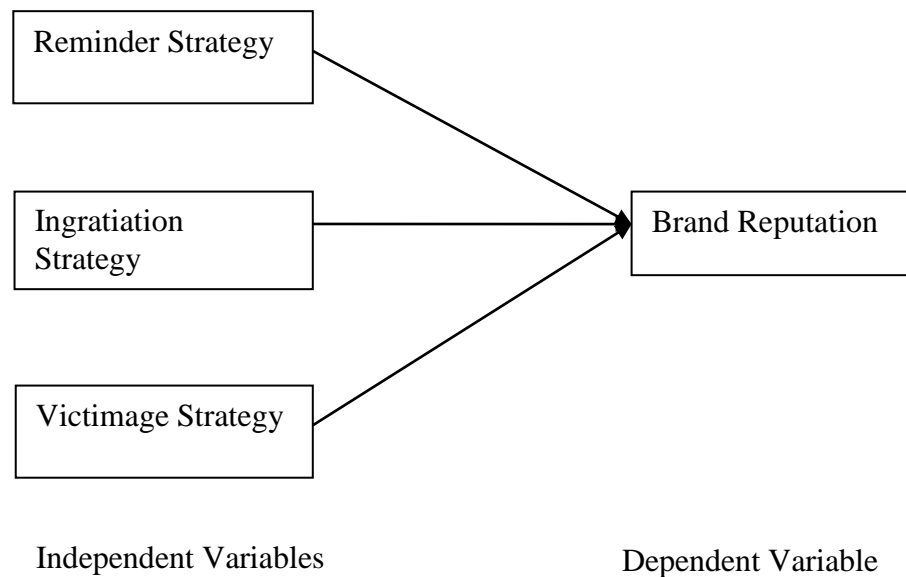


Figure 2.1: Theoretical Framework

3.0 Methodology

This study adapted a quantitative method by implementing the survey collection of data through a structured questionnaire. The questionnaire has been formed in five sections and one example case. The first section of the questionnaire consists ten questions regarding brand reputation based on the

questionnaire developed by Mason (2014). The second section measured the reminder strategies as perceived by the consumers and consisted of five questions developed by Liao, Shen, and Chu (2009). The third section consists the questions developed by Medler-Liraz and Yagil (2013) regarding ingratiation strategy. In the fourth section, the respondents were asked their preference on the last strategy of victimage in four questions adapted from Huang (2008). The final section of the questionnaire collected demographics of respondents regarding gender, age, educational level, citizenship, occupation, and level of their salary. Seven Likert scales have been used to measure the response in the first section to the fourth section.

Flight passengers in three airports in Northern Region of Malaysia including Penang International Airport, Langkawi International Airport and Sultan Abdul Halim Airport are the sample population of this study. The numbers of respondents need to be collected are 384 responses. Flight passengers have been chosen to participate in this study because the main objective of this study is to identify the effect of Airlines company's reputation after the fatal crisis occurred. The three airports consist two of international airports and one domestic airport, and the characteristics of the airports may represent the generalizations of the population. Since the researcher doesn't have any sampling frame at hand, s convenience sampling method is the best technique (Hague, 2006). Furthermore, convenience sampling is a technique with lesser cost and reduces the difficulties associated with sampling frames. The personal administered questionnaire has been distributed to the flight passenger who is waiting to fly in the departure hall at each airport.

In analyzing the data, PLS-SEM has been used to identify the hypothesized relationship. PLS-SEM is the most suitable tools to analyze the data more specifically in marketing, strategic management, management science and social psychology, among others (Hair et al., 2013; Hair et al., 2012; Henseler et al., 2009). Furthermore, this software can be operating for non-normally distributed data due to the small sample size and doubtful in the normally distributed of the data.

4.0 Results

4.1. Descriptive Analysis

A total of 41.7 percent of the respondent is male, and 58.3 percent are female. Out of the two genders, 46.4 percent are in the age range between 25 to 35 years old, 34.4 percent between 36 to 46 years old, 15.6 percent between 47 to 57 years old and 3.6 percent above 57 years old. The majority of the respondents are Malaysian with 93 percent, and the remaining 7 percent are non-Malaysian. In term of education level, 34.6 percent are completed the PhD doctorate, continued by Master Degree with 33.6 percent, Bachelor Degree with 24.2 percent and high school with 7.6 percent. Result for the occupation shows 56 percent are government servants, 32.3 percent are working in private sector, 10.2 percent are self-employed and retired are 1.6 percent. A total of 42.2 percent gains the monthly income more than RM6000, 30.5 percent gain in the range of RM6000 to RM 4001 every month, 19.8 percent gain between RM4000 to RM2001 and 7.6 percent gain less than RM2000 every month.

4.2. Outer Model Evaluation

In PLS, the beginning of the analysis starts with the outer model evaluation. Outer model evaluation is to verify that the measurements used are reliable. Content validity test, convergent validity test, and discriminant validity test have been employed to evaluate the outer model based on a suggestion by Hair et al. (2010). For content validity, the items loading has been measured and has been classified

based on Chan (2003) recommendation of items loading classification. The items with loadings less than 0.61 have been deleted. The details of the items loading are in Table 4.1 and Figure 1.

Table 4.1: Content Validity

	Brand reputation (BR)	Ingratiation (SCa)	Reminder (SCb)	Victimage (SCc)
BR1	0.828			
BR2	0.819			
BR3	0.738			
BR4	0.834			
BR5	0.765			
BR6	0.880			
BR7	0.866			
BR8	0.735			
BR9	0.799			
BR10	0.703			
SCa1			0.822	
SCa2			0.882	
SCa3			0.875	
SCa4			0.806	
SCa5			0.805	
SCb6		0.910		
SCb7		0.969		
SCc12				0.781
SCc14				0.899

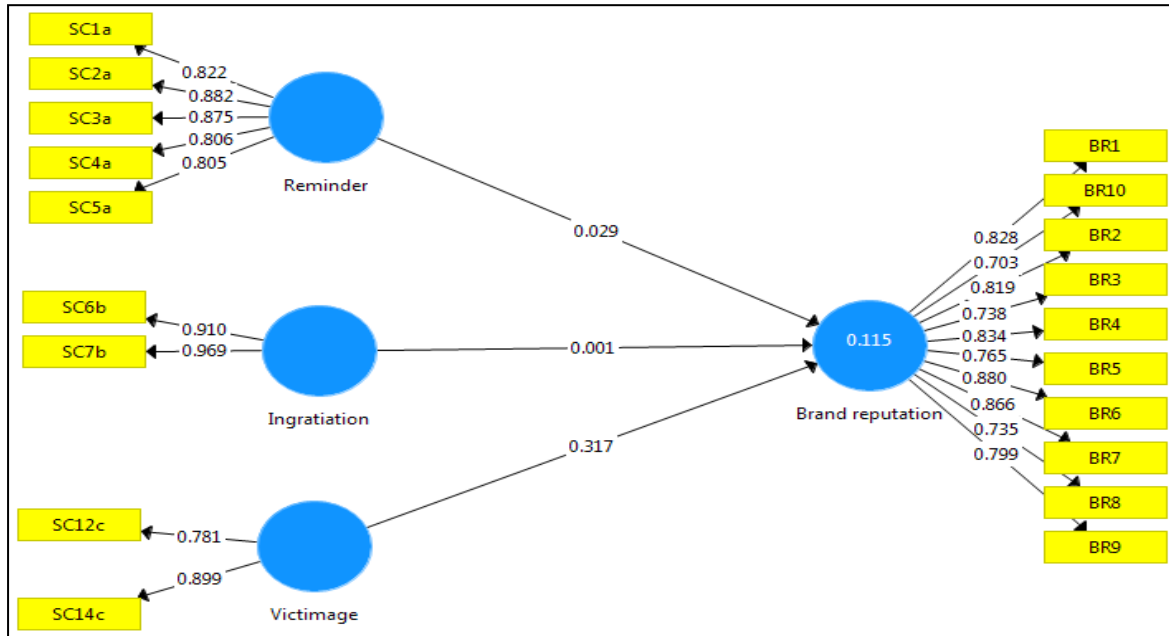


Figure 1: Items Loading

The second evaluation is to verify the convergent validity. Firstly, the item loading was tested, and the accepted item loading value is 0.50 and more based on the literature of multivariate analysis (Hair et al., 2010). Secondly, the composite reliability has been evaluated, and all the values have surpassed the minimum value 0.70 as suggested by Hair et al. (2010). Thirdly, to verify the convergent validity, the value of AVE has been evaluated. The value of AVE of this study has exceeded the minimum requirement of 0.50. The details of the convergent validity evaluation are as shown in Table 4.2.

Table 4.2: Convergent Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Brand reputation	0.937	0.948	0.946	0.638
Ingratiation	0.876	1.052	0.938	0.884
Reminder	0.894	0.901	0.922	0.703
Victimage	0.600	0.649	0.829	0.709

For discriminant validity, the method of Fornell-Larcker has been employed. To evaluate the value of the square root of each construct should be higher than its highest correlation to the other construct (Hair et al., 2014). The details of discriminant validity are as shown in Table 4.3.

Table 4.3: Discriminant Validity

	Brand Reputation	Ingratiation	Reminder	Victimage
Brand Reputation	0.799			

Ingratiation	0.209	0.940		
Reminder	0.260	0.821	0.839	
Victimage	0.338	0.582	0.729	0.842

From the outcome of the content validity test, convergent validity test and discriminant validity test of this study, it can be concluded that the items used in the measurement are valid and the constructs are unique and capture phenomena not signified by other constructs in the model.

4.4. Inner Model Evaluation

After the reliability and validity of the construct, measures have been confirmed; the next step is to evaluate the inner model. Based on the suggestion of Hair et al. (2013) and Chin (2010), evaluate the level of R^2 , assess the effect sizes (f^2) and examine the predictive relevance (Q^2) is need to evaluate the inner model. The bootstrapping procedure has been employed to analyze the inner model. The model after bootstrapping is as Figure 2.

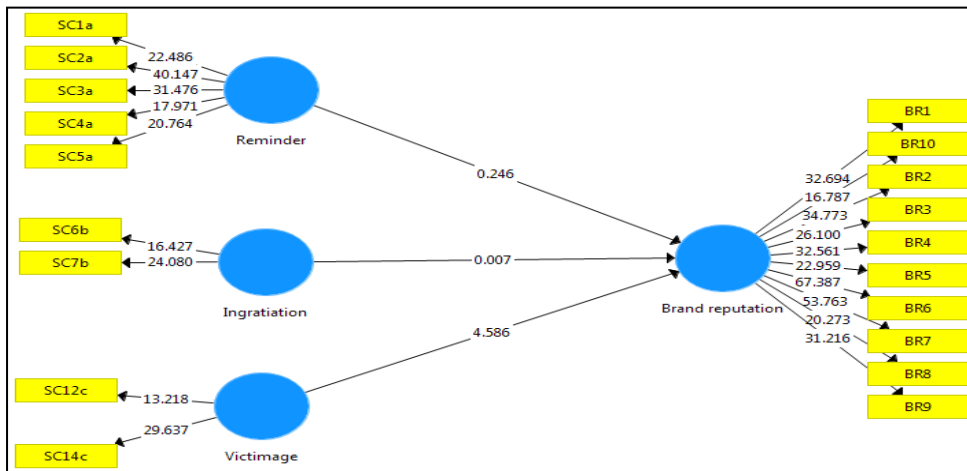


Figure 2: Model after bootstrapping

R^2 value is the indicator to determine the accuracy of the model. In marketing research studies, R^2 values of 0.75, 0.50, or 0.25 for endogenous latent variables in the structural model can be described as substantial, moderate, or weak, respectively (Hair et al., 2014). For this study, the R^2 value of brand reputation is 0.115; it indicates that reminder strategy, ingratiation, and victimage can account for 11.5 percent of the variance in brand reputation. The value is classified as weak. Table 4.4 shows the details of the R^2 value of this study.

Table 4.4: R^2 value

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Classification
Brand reputation	0.115	0.128	0.040	2.889	0.004	Weak

The next analysis is to determine the effect size of the study. The effect size (f^2) analysis will evaluate the change in R^2 values whether the omitted construct has a substantive impact on the endogenous constructs when a specific exogenous construct is omitted from the model (Hair et al., 2014). Based on Cohen (1977), the value of 0.02 is representing small effect, 0.15 represent medium effect, and 0.35 represent large effect. For this study, the effect size is large for the relationship between brand reputation and Ingratiation and reminder. For the relationship between brand reputation and victimage, the effect size is small. The details of the effect size outcome shown in Table 4.5

Table 4.5: Effect size

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	f^2 rating
Ingratiation -> Brand reputation	0.000	0.004	0.005	0.000	1.000	Large
Reminder -> Brand reputation	0.000	0.004	0.006	0.037	0.971	Large
Victimage -> Brand reputation	0.053	0.057	0.027	1.968	0.049	Small

The next analysis is to examine the predictive relevance Q^2 . This assessment is an indicator of the model's predictive relevance (Hair et al., 2014). In the structural model, Q^2 values more than zero for a certain reflective endogenous latent variable specify the path model's predictive relevance for the particular construct. To analyze the Q^2 , the blindfolding procedure has been executed. The blindfolding procedure is a procedure which a sample reuse technique that omits every d^{th} data point part and uses the resulting estimates to predict the omitted part. Blindfolding comes in two forms, the cross-validated redundancy, and cross-validated communality. For this study, cross-validated redundancy has been used because it estimates both the structural model and the measurement models for data prediction and it perfectly fits the PLS-SEM approach. The outcome of this study with the Q^2 value of 0.062 as shown in Table 4.6 proved that the model has adequate prediction quality.

Table 4.6: Predictive Relevance Q^2

	SSO	SSE	$Q^2 (=1 - SSE/SSO)$
Brand reputation	3,840.000	3,602.179	0.062
Ingratiation	768.000	768.000	
Reminder	1,920.000	1,920.000	
Victimage	768.000	768.000	

4.5. Hypothesis Testing

The next analysis after evaluating the outer model and inner model has been accomplished is hypothesis testing. To examine hypothesis, two type of method can be used. The first is base on the path coefficient which closes to +1 is a strong positive relationship and close to 0 is a weak relationship (Hair et al., 2014). The second method is by evaluating the t value. When the t value is greater than the critical value, the coefficient is significant at certain error probability, and frequently used critical value for the two-tailed test are 1.65 (significance level =

10%), 1.96 (significance level = 5%) and 2.57 (significance level = 1%). The results of the hypothesis testing for this study are as in Table 4.7.

Table 4.7: Hypotheses Testing

Hypothesis Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (O/STDEV)	P-Values	Result
Ingratiation -> Brand reputation	0.001	-0.003	0.096	0.007	0.995	Not supported
Reminder -> Brand reputation	0.029	0.041	0.116	0.246	0.806	Not supported
Victimage -> Brand reputation	0.317	0.316	0.069	4.586	0.000	Supported

5.0 Discussion

5.1 Theoretical Contribution

The objective of this study is to identify the relationship between brand reputation and bolstering strategy which include reminder, ingratiation, and victimage as the strategy to overcome the fatal crisis. The outcome of this study found that among the three strategies, only victimage is significant to the brand reputation. In other words, reminder and ingratiation have no positive effect to rebuild the brand reputation after the organization suffering the crisis caused death. The finding of this study might be influenced by the emotional judgment by the respondents. Victimage strategy is showing that the organization is also the victim of the crisis and blameless compared to the other two strategies which showing the organizations is fully responsible for the fatal crisis.

5.2 Practical Contribution

The findings of this study also can be guidance for the practitioners in structuring the response strategy after the crisis. Victimage is the strategy will help the organization to rebuild the tarnished image and reputation. Whereas, reminder and ingratiation have been found not effective for the phase after the fatal crisis. The not significant relationship between reminder and ingratiation strategy and brand reputation indicates that not all strategy is effective to rebuild the tarnished reputation in the scope of the fatal crisis and the context of Malaysian airlines industry. Rebuild the tarnished reputation is crucial for the organization and the decision made the managerial will determine the sustainability and survival of the organization. Therefore, this finding also will help the managerial to avoid a mistake in responding to the fatal crisis because an appropriate response strategy will lead to another crisis.

5.3 Limitations and Recommendations for Further Study

The scope of this study only considers the flight passengers in Northern Region of Malaysia. The first limitation is the industry, the data for this study only focused on the airline's industry. However, the fatal crisis also occurs in other industry as well. The findings of this study cannot be generalized to the other industry. Therefore, additional study should be done to the other industry as well then the generalized findings can be achieved. Secondly, the location of data collection for this study only focused in the Northern region. There are the possibility of different findings can be achieved if the limit of location is expanded to the whole Malaysia. Lastly, this study only focusing on bolstering strategy as the

response of the fatal crisis, whereas there are other strategies might relevance to increase the reputation of the organization. Also, this study has been done without considering any effect of moderator or mediator. Therefore, further study should be done by considering another option of response strategy and the effect of mediator or moderator.

6.0 Conclusion

As a conclusion, this study has provided the information as has been hypothesized and has achieved the objectives. The gathered data from flight passengers in Northern Region Malaysia has been analyzed by employed PLS-SEM. The findings showed the best response strategy of fatal crisis is the victimage strategy in the context of Malaysia. It also indicates that brand reputation can be rebuilt by the victimage strategy compared to reminder strategy and ingratiation strategy for the crisis involved the fatal incidents. The finding of this study is supporting the Situational Crisis Communication Theory. The outcome from this finding contributes to the body of crisis management study and beneficial as a guide to the managerial. However, there are some limitations of the study that need further study in the future.

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