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# IMAGE CRISIS - AN APPROACH USING MARKETING AND COMMUNICATION TOOLS

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**Abstract:** *The theme addresses a conceptual-methodological analysis of brand image rebuilding and response strategies that should help the company to overcome the critical moments of a public scandal. The main goal of rebuilding a company's image is to restore confidence but also to reduce negative media coverage in all offline and on-line communication channels. The image is the public reflection of an organization's reputation, personality or identity, so restoring it by all means becomes vital to the survival of the organization. The conceptual and methodological aspects of the paper underlie the instrumentation of a case study consisting of a marketing analysis that aims at assessing the satisfaction of Volkswagen owners and measuring the loyalty to this brand after the Dieselgate scandal as well as the general attitude towards the German manufacturer.*

**Key words:** *crisis, marketing, communication, image reconstruction.*

## 1. Introduction

Many of the world's big companies faced image crises. No company is immune to incidents that arise in the internal or external environment, and which negatively affects its reputation. Facebook (on March 2018), Volkswagen (september 2015), McDonald's, Nike, Coca-Cola, or Microsoft are just a few global brands that have been the subject of media or judicial investigations. Many of these brands are benchmarks for performance indicators in management and marketing, but it still seems that a brand's reputation can be spoiled. The image crisis situation is testing very hard the company's reputation and competence to manage the situation, so reputation management has become an important part of an organization's management.

The paper presents various aspects of the means used by company to be rehabilitated after a major scandal and ways to regain its reputation. The case study focuses on the example of Volkswagen-Dieselgate and the description of the main events in the scandal of emissions test falsification, but also the effects on automotive markets and on the general public.

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## 2. Marketing and Communication for Companies with Image Crisis

A positive and strong brand image is hard to create and keep, the costs for this process are not negligible, and many well-known brands have had years to create" (Forsyth, 2011). Other authors claim that "a valuable brand is one that constantly keeps the promise of value offered by how the product is developed, sold, serviced, promoted even in tough times when a brand crisis occurs" (Şahin et al., 2011). Fill points out that "a solid reputation is strategically important for three main reasons: the first concerns differentiation when there are small product differences, the second refers to support in times of crisis, and the third refers to the ability to measure the corporate value (Fill, 2005).

The literature addresses the crisis from different perspectives. According to McLonglin (1996, p. 10), the crisis may be an "event, revelation, accusation, or set of internal or external problems that threaten the integrity, reputation or existence of an individual or organization". From a sociological perspective, the crisis defines "a period in the dynamics of a system, characterized by an accentuated accumulation of difficulties, the conflicting outbreak of tensions, which makes normal functioning difficult, with strong pressure towards change" (Zamfir and Vlăsceanu, 1993). Crisis is a problem of an organization that is exposed to public attention and that threatens equally the reputation and financial stability of the organization. The need for communication stems from the difference in perception between company managers and external actors about the severity of events. This difference can increase if the company chooses a minimal communication strategy with the outside environment, or if it has inappropriate attitudes such as concealment, denial. In general, "a company can react in several ways to a product crisis, from denial to assuming the responsibility and even unconditional withdrawal of the product" (Magno, 2012). Several objectives can be pursued in the crisis communication, but "the principle will always be to occupy the ground to keep control of the information provided and the perceptions of the crisis actors. If the company does not take clear positions, others will take it without too much effort. If information is not provided, then others will formulate their own assumptions and give their own data. Here lies the risk of losing control permanently (Libaert, 2009).

According to J. Blythe (2011, p. 185), "crisis management requires a rapid response from the communications department. PR is also important for the internal audience - clients, employees and even shareholders". In order to control the crisis, "promptness is one of the key factors together with the precision of data and coverage of the targeted audiences" (Wall-Street). The more it takes a firm to manage a crisis, the more likely consumers are to generate negative impressions as a result of unfavorable media coverage and oral publicity. Another effective control solution is simulation or exercise. In most crisis situations, companies are trying to adapt to the event, but the "movements" they make stay invisible to the general public, which may give the impression that the company does not cope with the limit situation. Transparency is a subjective notion. There are elements of the situation that will never become public because they do not concern external audiences. In the field of public relations, transparency does not mean to transmit everything to all the target audiences, because the same kind of information is not relevant to everybody.

There are many cases when companies are not "proactive in crisis communication, expect to be asked in order to answer the question about the situation, have a reactive behavior that makes them lose most of the time control of the situation" (Wall-Street). The tools of marketing and crisis communication are diverse, but the effectiveness of each of them is related to various factors. One of them is the moment of crisis. For the crisis beginning, the press release that has a much more precise target and contains better controlled information is effective. The press conference is very effective if the organization has something very important to say.

Technological progress in communications also has an impact on crisis management and marketing by developing storage capacities and dissemination of information. Nowadays, it is common for organizations to have a crisis site or sections of their own website to share information about the crisis. Creating a website is an indicator of performance in crisis management. Thus, customers, suppliers or community members can quickly get the information posted on the crisis site.

The website will allow visitors to "track the key message chronology and overall coherence of crisis communication used by the company" (Libaert, 2009). As more and more consumers are connected to multimedia devices, they increase proportionally the response pressure in a crisis situation. The Millennials have an increasing influence and "crisis communication needs to adapt to the communication channels they use and the communication strategy must be prepared for social environments treated both as opportunities and as threats" (PR, 2015).

In the same context, social media adds a whole new element to crisis communication, namely the speed and large amount of participants. Social media is instantaneous (by sharing), omnipresent (hundreds of millions of people use social media) and available (can be accessed by anyone with an Internet connection). These three things allow crisis inciters and crisis managers to communicate at incredible speeds. Interesting is the fact that "crises can be created on social media and can be spread on social media" (Kalthom et al., 2014).

### **3. Dieselgate Crisis and the Impact on Volkswagen Group**

The Volkswagen Group has been involved in a major scandal since September 18, 2015, when it was accused by the US Environmental Protection Agency (EPA) of modifying emissions and consumption tests for the models sold across the ocean. Only three days later Volkswagen shares dropped by 20%. It was the largest decline in one day in the company's history. The VW Group CEO responded to the charges and apologized announcing that he will cooperate with US authorities. On September 22, the Volkswagen case received the name "Dieselgate," triggering high-level reactions. So, the White House and the German government became interested in this major case. Volkswagen Group officially announces that cheating software affected the emissions of 11 million cars worldwide (<http://www.drive.com.au/motor-news>).

The impact of the scandal about emissions test falsification was a strong one, at first glance for the German car manufacturer. The word most used immediately after this scandal was "temperance", as estimated losses were tens of billions of Euro. A drastic measure that the German group has announced, related to communication, was the step by step renouncement of the slogan "Das Auto". It was introduced in 2007 and has

proven to be an ambitious formulation that has quickly penetrated the public's subconscious. The renouncement to the classic slogan was decided at an important meeting of more than 2,000 managers inside the group. On this occasion, Herbert Diess, head of the Volkswagen Passenger Vehicle Division, stated that the absolutism suggested by "Das Auto" is no longer appropriate in the context of the Dieselpgate scandal, and that the brand has a more humble attitude after this scandal. In addition, the slogan was pretentious and failed to highlight the manufacturer's desire to become a leader in automotive technology ([www.auto-bild.ro](http://www.auto-bild.ro)).

#### **4. Survey Results on the Opinions of the Romanian Consumers regarding the Dieselpgate Crisis**

The Dieselpgate scandal has affected automotive markets around the world but in varying proportions and ways. This has led Volkswagen to act differently from the perspective of communication strategies and crisis management. In countries like the US and South Korea the company chose to pay very large damages, including directly to car buyers who were equipped with modified software. The company did not apply the same compensation strategy in Europe. Clearly, the company chose communication strategies according to the position of governments and buyers in various countries. For example, the Dieselpgate scandal had no major effects on the German market. According to the VDA, 272,000 new cars were registered in Germany in November 2015, 9% more compared to November 2014. New car registrations in the first 11 months of 2015 also increased by 5% to 2.959 million units and in 2016 continued to grow to 3.2 million units.

Until the start of the Dieselpgate crisis, in September 2015, the model Volkswagen Golf with a diesel engine, was the best-sold model in Romania. So, the research question is if the German manufacturer's top position could change in the coming years on the Romanian market as a result of the Dieselpgate scandal. Two marketing researches were conducted between May and June 2016. The first one was a qualitative research based on focus group. The aim was to find out the position of the Romanian consumer (from Braşov city) of Volkswagen cars after the Dieselpgate scandal. The second research was a survey which evaluated the attitudes, opinions and behaviors of the Braşov automobile consumers on the Dieselpgate scandal. The focus-group implied interviewing four groups, each one of eight members, Volkswagen Diesel engine owners. The results of the qualitative research have revealed that most of the participants associated the brand Volkswagen with "quality" and also considered that reliability and quality are the advantages of this brand. Few subjects have agreed that lack of fairness is a disadvantage because unethical/incorrect practices are happening in the entire automotive industry.

The sensitive area remains that of car owners with Euro 5 diesel engines. One of the participants said that it is likely that in the future he will be directly affected by this matter. As a result, he will avoid buying a Volkswagen car in future. Most of the participants remained loyal to the Volkswagen brand expressing their intention to buy Volkswagen cars in the future. Regarding the survey, a questionnaire was used as a tool for collecting the data from the members of the researched population. The survey population is represented by the company's target audience, Braşov city inhabitants

aged over 18. The survey population has 244,160 inhabitants (<http://www.insse.ro/cms/2015>).

In creating the sample, the random sampling method was chosen. A group sampling on phases was performed, combined with a systematic sampling. The sample size was set at 384 people considering a 5% level of error and a 95% confidence level. The most relevant results of the quantitative marketing research are presented below. The respondents' opinion of the Volkswagen brand registered a mean of 3.62 points on a scale from 1 to 5. 98% of the sample participants have heard of the emissions scandal.

The proportion of those who believe that Volkswagen has publicly acknowledged the blame is extremely low - only 7%. This means that the vast majority do not know that Volkswagen has been guilty of the scandal of emissions. Regarding the measures taken after the scandal, 69.2% of men and 52.9% of women know them. There is no difference between men and women regarding the opinion on the promptness and sincerity of the measures taken by Volkswagen.

#### **4. Conclusions**

Image crisis is a problem of an organization that is publicly exposed and which threatens equally the reputation and financial stability of the organization. Here comes the role of marketing and crisis communication. The Volkswagen Group has been involved in a major scandal since September 18, 2015, when it is accused by the US Environmental Protection Agency (EPA) of faking the emissions and consumption tests for models sold over the ocean. A few days later this scandal was called "Dieselgate".

The qualitative research has highlighted that the Volkswagen brand is associated with the word "quality" and that the reliability and quality are the advantages of the Volkswagen brand.

The quantitative research has shown that on average the respondents have a "good" opinion about Volkswagen, and not a "very good" one, possibly as a result of the scandal of emissions. The research has also highlighted that Volkswagen has not communicated well enough to the audience. Although the scandal is known by 98% of respondents, only 69.2% of men and 50.9% of women know the measures taken after the scandal. Very surprising is that only 7% of respondents believe that Volkswagen has recognized its blame. As a result, the respondents are suspicious when it comes to the idea of buying a Volkswagen car in the future. However, we can appreciate that the position of Romanian consumers towards the Dieselgate scandal is neutral compared to the highly critical or even virulent position of US or South Korean consumers. An explanation could be that Romanian consumers have a good perception about German cultural values which they expect when buying a German brand. Regarding the answer to the question "How well was managed the Dieselgate image crisis?" we can only agree with Ph. Kotler, who believes that "the key to successfully overcoming a crisis is succeeding in convincing consumers that the company's reaction was prompt and sincere. Overall, the company success overcoming the crisis is related to the dimensions of brand capital and the power of corporate image, especially regarding the public's respect for the firm's honesty (Kotler, 2002). It is quite clear that Volkswagen has exceeded the Dieselgate "tsunami" by adopting effective marketing and crisis communication strategies adapted

to the socio-cultural specifics and response of consumers, the general public and the governments of the world. The Volkswagen emissions scandal has been a turning point for the automotive industry around the world, and an opportunity to raise the quality of life and improve environmental protection. CO<sub>2</sub> emissions tests are tougher and closer to normal traffic conditions. There is also visible growth in the creation, production and sale of electric and hybrid vehicles, and some manufacturers may change diesel engines for gasoline and hybrid.

The Dieselgate crisis has changed the brand-consumer communication and trust relationship. Today the consumer no longer accepts "unconditionally" the values and experiences of the brand but asks more questions about sincerity, fairness, ethics. How much and in which direction does evolve the brand-consumer relationship, after the Dieselgate crisis, may represent a future direction of research.

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