A Work Project, presented as part of the requirements for the Award of a Master's degree in

Management from the Nova School of Business and Economics.

THE POWER OF CONTROVERSY: THE ROLE OF BRAND LOYALTY

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18/01/2023

Abstract

Consumers are increasingly pressuring brands to take a stand on sociopolitical issues. Since the underlying risks and benefits for companies have not yet been thoroughly researched, managers do not want to risk alienating consumers who disagree with their position. This study hypothesizes that brand loyalty mitigates the negative effects of controversy when people disagree with the brand's statement. The results did not reveal a significant effect of brand loyalty on purchase intention when people oppose their opinion. However, it was confirmed that loyal consumers have higher purchase intentions compared to non-loyal ones for both controversial and non-controversial brand statements.

Keywords: Consumer Behavior, Controversial Brands, Controversy, Brand Loyalty, Purchase Intention

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1. Introduction

Consumers increasingly expect brands to stand for something and provide solutions to societal problems. To date, nearly two-thirds of consumers across the globe buy based on belief (Edelman 2018). They will choose, switch, or completely avoid a brand based on its stand on sociopolitical issues that matter to them. Therefore, brands are under more and more pressure to take a public stand on controversial issues such as immigration, gun control, racial and gender equity, LGBTQ rights and climate change (Hambrick and Wowak 2021; Moorman 2020). Thus Ben & Jerry's (2020) stresses that "silence is not an option" and advocates the urgency of taking concrete steps to reduce white supremacy, while Nike vocally aligns with Black Live Matters in 2018 with its campaign featuring Colin Kaepernick, who knelt during the national anthem to protest against racial inequality (Errigo, Maese, and Maske 2018). A growing number of brands are following suit to support or oppose one side of other partisan issues, which Bhagwat et al. (2020) define as corporate sociopolitical activism (CSA).

Whilst on the one hand, engaging in sociopolitical issues can have positive effects if it is authentic, such as increasing brand equity or boosting returns (Vredenburg et al. 2020), on the other hand, it is likely to damage relationships with people who have a different position (Bhagwat et al. 2020). Public statements have never been as divisive and polarized the opinions of consumers (Moorman 2020), even causing consumers to boycott a brand, throw away products or cancel memberships. So far, previous research has mostly shown negative outcomes when brands engage in controversy: a negative impact on financial results and an average negative investor reaction to CSA (Bhagwat et al. 2020), consumer attitudes toward the brand also declined significantly for consumers who disagreed with the brand's point of view (Mukherjee and Althuizen 2020), the likelihood of discussion declined because of increased discomfort (Chen and Berger 2013) and the value of share prices was not positively impacted either (Villagra, Monfort, and Méndez-Suárez 2021). Managers should know whether engaging

in controversy is more likely to benefit or harm their brand. However, overall research on the topic of brand controversy is still scarce. Under what conditions and if at all it is advised to take a stand on controversial issues needs to be further investigated.

As highlighted above, previous literature and other work projects in the same field lab suggest that controversy has no overall positive impact and may even have a negative effect. Thus, this study is unique to the extent that it examines whether it is possible to mitigate the negative effects of brand controversy, particularly when consumers disagree with a brand's statement. One of the first variables that comes to mind is brand loyalty due to its widely documented positive effects. Therefore, it is reasonable to expect that it can have a buffering effect. Brand loyalty yields benefits like being better able to respond to competitive threats, significant barriers to entry for competitors, higher sales and earnings, and lower risk of losing customers to competitors (Matzler, Grabner-Kräuter, and Bidmon 2008). Given the strategic importance of brand loyalty in gaining a sustainable competitive advantage (Gounaris and Stathakopoulos 2004), it is crucial to examine its relationship with controversy. For a more in-depth understanding of brand loyalty in controversial scenarios, I investigate the impact on purchase intention under the conditions where consumers agree or disagree with the brand's statement. Especially when consumers disagree, I expect negative outcomes, which makes the buffering effect of loyalty especially relevant and important.

This work project hypothesizes that loyal consumers' purchase intention will increase more compared to non-loyal consumers' when they agree with the brand's statement, regardless of whether it is a controversial or non-controversial brand. For controversial brands (vs. non-controversial ones), loyal consumers' purchase intention will remain the same or slightly decrease when they disagree, but purchase intention decreases less than for non-loyal people. A lot of prior research has documented the positive effects of loyalty and its buffering effect (Ahluwalia, Burnkrant, and Unnava 2000; Cheng, White, and Chaplin 2012; Schmalz and Orth

2012). Yet this is not as intuitive as one might expect, because consumers who are loyal to a particular brand might be even more disappointed instead of forgiving and therefore turn away, while non-loyal consumers might not care to the same extent. A thorough examination of brand controversy can help channel relevant information to gain an understanding of how controversial brands should present themselves in order to mitigate the risk of losing customer loyalty and prevent anti-brand retaliatory behavior.

By answering the question of whether loyalty can mitigate the negative effects of controversy, this paper makes several contributions to current research. First, the hypotheses in the following paper are derived based on previous research on controversy and brand loyalty. The literature review is intended to contribute to a better understanding of their influence on purchase intention and brand perception. An experiment was conducted to test the hypotheses, which data was then thoroughly examined and discussed to draw conclusions. Finally, the limitations of the study and possible future research directions were highlighted.

2. Literature Review

The following literature review is grounded in the existing literature on controversy and brand loyalty to provide theoretically supported key hypotheses.

2.1 Controversy and Controversial Brands

Controversy is defined as "a lot of disagreement or argument about something, usually because it affects or is important to many people" by the Cambridge Dictionary (2022). People often have different, polarizing opinions on controversial issues that they care deeply about. However, depending on the culture and over time, viewpoints on what issues are considered more controversial may shift (Chen and Berger 2013). For the purpose of this study, a controversial brand is defined as one that takes a public stand on a controversial sociopolitical issue.

More brands have come to understand the urgency of speaking out and actively engaging in controversial issues. Examples of controversial brands abound, from United Colors of Benetton highlighting various social problems such as racism and religious hate through their advertising (Sibai, Mimoun, and Boukis 2021), to outright controversial actions such as Chick-Fil-A's donation to anti–gay marriage organizations (Vredenburg et al. 2020), and many more. Consumers themselves assess whether the brand's stand and moral standards match their own.

According to Mukherjee and Althuizen (2020), disagreements between consumers and brands about the brand's stand substantially decreased brand attitude, while brand attitude had no significant effect in general when consumers and brands agreed on the controversy. On the one hand, the consumer's disagreement with the brand's stand means that the consumer and the brand do not attach the same importance to the principles involved, which is likely to result in low brand similarity. On the other hand, the consumer's agreement with the brand's point of view means that the moral principles of the consumer and the brand are very similar, meaning a higher brand similarity and thus a stronger identification with the brand. People tend to believe their own moral beliefs are superior or correct, so when they disagree, they are unlikely to change their opinion to agree with the brand's viewpoint (Mukherjee and Althuizen 2020). When consumers agree with the brand's stand, the usual positive effects of controversy are expected. Hence, I hypothesize that loyal people that agree with the brand's statement have a higher purchase intention than non-loyal people.

2.2 Brand Loyalty

To date, knowledge about brand loyalty in relation to controversy still is a green field. Brand loyalty can be defined as the extent to which a customer is attached to a brand (Liu et al. 2012), referring to the propensity to be loyal to a specific brand, which is shown by the intention to purchase the brand as the first choice (Yoo and Donthu 2001). Indeed, true brand loyalty exists when consumers not only have an emotional attachment to the brand but also trust it and need

to buy it (Bloemer and Kasper 1995; He, Li, and Harris 2012). In other words, brand loyalty can be classified into two different aspects: behavioral and attitudinal (Li and Petrick 2008). Whereas behavioral brand loyalty refers to repeated purchases of a particular brand, attitudinal brand loyalty involves psychological attachment with a unique value associated with the brand (Chaudhuri and Holbrook 2001). Within the scope of this study, brand loyalty refers to both attitudinal brand loyalty and behavioral brand loyalty (i.e., true loyalty (Bloemer and Kasper 1995)).

The importance of brand loyalty has been acknowledged in the scientific literature for several years (Bloemer and Kasper 1995; Fournier and Yao 1997; Oliver 1999). It is known to be very important for companies because of its many benefits, such as increasing sales volume, getting premium prices, and retaining their customers rather than seeking them out (Malik et al. 2013). Fournier and Yao (1997) have reconceptualized the construct of brand loyalty based on the theory of interpersonal relationships. Close consumer-brand relationships tend to mirror the degree of positive affect and stronger feelings elicited by a brand (Chaudhuri and Holbrook 2001). Hence, loyal consumers who are driven by emotion are stronger attached to a particular brand and do not consider alternative brands (Fournier 1998). Several studies have suggested that brand love has a positive effect on brand loyalty (Bairrada, Coelho, and Lizanets 2019; Batra, Ahuvia, and Bagozzi 2012; Bıçakcıoğlu, İpek, and Bayraktaroğlu 2018; Carroll and Ahuvia 2006). Consequently, passionate love for a brand strongly indicates loyalty, suggesting a more substantial commitment to the brand and the intention to rebuy it (Bairrada, Coelho, and Lizanets 2019).

It depends on many factors, such as the features, characteristics, quality, image and price whether a consumer will buy a product or service of a particular brand (Laksamana 2018). No matter the consumer's past buying experience, the buying experience has been noted to remain in the consumer's memory for a long time (Keller 2008). As stated earlier, brand loyalty can be

seen as a repurchase commitment, promising consumers to buy their preferred brands again. Thus, brand loyalty is strongly positively related to purchase intention (Chi, Yeh, and Yang 2009; Malik et al. 2013).

In addition, prior research findings view that people who have a positive perception are likely to be more satisfied, which in turn makes them more loyal (Thomas 2011). When consumers emotionally attach to a brand, they are more likely to be loyal to it (So, Parsons, and Yap 2013). This emotional attachment is underpinned by three factors, namely, warm feelings a consumer has with a brand, strong positive feelings towards a brand and lastly the self-connection with a brand (Thomson, MacInnis, and Park 2005). Consequently, customers have in general more positive perceptions of a brand to which they are loyal. The ones who have a favorable perception of a brand will have a higher propensity to purchase and stick to that brand (Cagampan et al. 2022; Thwaites et al. 2012). Bilgin (2018) also proved the positive influence of brand image, which is defined as "consumer perceptions of and preferences for a brand, as reflected in various types of brand associations held in consumers' memory" (Keller 2009), on brand loyalty.

The research on the relationship between brand loyalty and resistance to negative information is particularly interesting. The two different constructs brand loyalty and brand love both fall on the positive side of brand relationships (Fournier 1998) and therefore can have similar effects. In general, much research indicates that positive brand relationships provide a buffering effect (Ahluwalia, Burnkrant, and Unnava 2000; Batra, Ahuvia, and Bagozzi 2012; Cheng, White, and Chaplin 2012). For example, people who love the brand Apple continued to buy it even when it became public that the company was behaving unethically, namely when they secretly recorded employees to prevent theft (Schmalz and Orth 2012). So far, Batra, Ahuvia, and Bagozzi (2012) conceptualized and proved the consequences of brand love as higher repurchase propensity and resistance to negative information. Additionally, consumers who

have confidence in a brand that they endorse, which is a consequence of brand loyalty, tend to defend it against negative opinions or rumors and motivate others to purchase it. This brand support can help companies during crises (Amine 1998). Another finding suggests that brand loyalty significantly and positively influences attitudes toward a brand after controversy. Consumers who have a strong connection to a brand or have higher brand loyalty after a controversy do not react negatively to controversy or bad news about the brand (Cheng, White, and Chaplin 2012; Banerjee 2018). This is shown by consumers with a strong brand attachment (i.e., high self-brand connection) keeping evaluations of the brand high despite negative information about it. Consumers defend the brand because they respond to a brand failure like it was a personal failure (Cheng, White, and Chaplin 2012). In addition, Banerjee (2018) shows that brand loyalty significantly and positively impacts post-controversy attitudes toward the brand, suggesting that people with higher post-controversy brand loyalty have positive attitudes toward the brand. This may suggest that consumer brand loyalty is important to alleviate negative attitudes after controversy. Ahluwalia, Burnkrant, and Unnava (2000) additionally confirmed that strong brand commitment can mitigate a change in consumer attitudes toward the company when negative information about the company surfaces. Consumers with a high attachment to the brand rate the parent company's behavior as less unethical (Schmalz and Orth 2012).

On the other hand, Elbedweihy et al. (2016) found no significant impact of brand loyalty on consumers' resistance to negative information, which they measured on a 3-item scale, including questions about disregarding negative information and forgiving the brand when it makes mistakes. Consumers, thanks to their very strong loyalty to the brand, can either remain loyal or they can get angry, disappointed and switch to another brand or product (Eagle et al. 2005). Johnson, Matear, and Thomson (2011) for instance examined that more self-reluctant consumer-brand relationships are more prone to anti-brand retaliatory behavior after the

relationship ends, ranging from negative word-of-mouth to complaining to others to illegal actions. In contrast, they found that relationships between consumers and brands that have lower levels of self-relevance but high levels of post-exit trust, commitment, and satisfaction are less likely to lead to hostile brand actions (Johnson, Matear, and Thomson 2011). Another finding shows that high relationship quality consumers (like loyalty) feel more betrayed when they encounter unfair situations. This leads them to seek to restore fairness by any means necessary, including retaliation such as complaints to the relevant companies and third-party complaints to reach out to the public (Grégoire and Fisher 2008). Hence, not all consumers ignore negative information about their preferred brands. Instead, they are likely to get an opinion about the scandal of a brand and then they will form an opinion about the brand (Kapoor and Banerjee 2021).

3. Hypotheses

Based on the previously gathered information on controversy and brand loyalty, I hypothesize that brand loyalty mitigates the negative effects of controversy when people disagree with the brand's statement.

As outlined in the previous section, loyal people have a high attachment to their brand and may tend to protect that brand against bad news or negative information (Ahluwalia, Burnkrant, and Unnava 2000; Cheng, White, and Chaplin 2012; Banerjee 2018; Schmalz and Orth 2012). Brand loyalty is accordingly proven to have an important buffering role. Therefore, it is assumed that this also refers to controversy and loyal people are more likely to forgive the brand (Fedorikhin, Park, and Thomson 2008) or choose to simply ignore the information, even if they disagree with the brand's statement. Thus, I expect that purchase intention will only decrease slightly or remain the same for loyal people that disagree with the brand's statement. Since non-loyal consumers are inclined to be less attached to the brand, it is assumed that purchase intention decreases more significantly in comparison. The hypothesis derived from this is as

follows:

H_{1A}: For controversial brands (vs. non-controversial ones), loyal people's purchase intention remains the same or slightly decreases when they disagree with the brand's statement, but purchase intention decreases less than for non-loyal people.

Consumers are more loyal and have a more positive attitude when they agree with the brand, as described before (Mukherjee and Althuizen 2020; Thomas 2011). In general, a positive perception of brands has been linked to higher purchase intention across different industries (Knight and Kim 2007; Wu and Lo 2009; Xue et al. 2020) and since brand loyalty has been proven to have a significant positive effect on purchase intention (Chi, Yeh, and Yang 2009; Malik et al. 2013), I hypothesize that this also holds true for controversial brands. Therefore, this study proposes the following hypothesis:

H_{1B}: Loyal people's purchase intention is higher compared to non-loyal people when they agree with the brand's statement, regardless of whether it is a controversial or non-controversial brand.

The buffering effect in H_{1A} of brand loyalty is not as obvious as one might initially suspect. There is a possibility that loyal people might be even more disappointed or hurt by the brand's contrary view and therefore decide not to purchase the brand anymore, while non-loyal people may not care as much. Indeed, some research shows that the stronger the relationship between consumer and brand, the more likely it is that strong criticism will be voiced (Johnson, Matear, and Thomson 2011) and an intensified wish for retaliation after a service failure could be observed (Grégoire and Fisher 2008). In this study, based on extensive research, I expect that loyal people are more likely to forgive because they have a higher attachment to the brand. Nevertheless, I will explore negative and positive perceptions of the brand to gain a more thorough comprehension of the perceptions of the brand held by loyal and non-loyal people

after taking a stand. This will help to better understand their attitudes and reactions to the brand's statement.

4. Methodology

A quantitative experimental study in the form of an online questionnaire on a convenience sample was conducted to test the previously derived causal relationships (full questionnaire in Appendix 1). The online questionnaire was created with the software Qualtrics and then sent to personal contacts and shared on social media platforms. For better convenience, it was administrated in English as well as in German. The survey was carried out with the aim of examining the collected data and testing the stated hypotheses. It investigated the effects of controversy and brand loyalty on purchase intention when consumers agree or disagree with the brand's statements and subsequently explored the positive or negative perception of the brand.

4.1 Experiment

A scenario-based questionnaire was applied to systematically vary the level of controversy experienced by the survey participant. The variables controversy and brand loyalty were controlled to ensure that all participants were exposed to a controversial or non-controversial scenario as well as a loyal or non-loyal scenario. The survey software Qualtrics randomly assigned participants to one of the following three scenarios: 1) non-controversial scenario and people agree with the statement, 2) controversial scenario and people agree with the statement, 3) controversial scenario and people disagree with the statement. The scenario of no controversy and people disagreeing with the statement was purposely not included because there is limited value in disagreeing with a statement that is not controversial. Furthermore, they were classified as loyal or not loyal to a brand, which they were asked to list themselves beforehand. Finally, there are six different cases where all of the scenarios were automatically and equally allocated.

The exact composition of the sample can be found in Appendix 2. All respondents rated their agreement on a 7-point Likert scale (Finstad 2010).

4.2 Procedure

Participants were asked to list which brand they were loyal to or non-loyal to. To control for potential confounding effects of product category (e.g., it was possible that participants might be more loyal to brands for which controversy has fewer negative effects to begin with) the product category was fixed to soft drinks. Moreover, I only selected people who were familiar with this category: I asked if people drank soft drinks at the beginning of the questionnaire. People who answered with "No" were prevented from completing the study. Then, a fictional scenario was created in which the soft drink brand that participants had previously indicated takes a stand on the issue of abortion. The topic of abortion was chosen because I assumed that it was controversial and that everyone had a clear opinion on it. All respondents were given little information about what the brand's position on abortion was. The goal was to facilitate participants' ability to better envision agreeing or disagreeing with the brand's statement, which was manipulated between-subjects. Specifically, participants read one of the following three scenarios:

Non-controversial Scenario + Agreement

Imagine a scenario where *previously indicated brand* had launched a campaign in which the company takes a stand on the topic of abortion.

The campaign ran in many different countries. **<u>Most people agreed</u> with the message of the campaign. In your specific case, you <u>strongly agreed</u> with the brand's stand.**

Controversial Scenario + Agreement

Imagine a scenario where *previously indicated brand* had launched a campaign in

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which the company takes a stand on the topic of abortion.

The campaign ran in many different countries. **People were <u>divided</u>: some people strongly agreed, and some people strongly disagreed with the message of the campaign. In your specific case, you <u>strongly agreed</u> with the brand's stand.**

Controversial Scenario + Disagreement

Imagine a scenario where *previously indicated brand* had launched a campaign in which the company takes a stand on the topic of abortion.

The campaign ran in many different countries. **People were <u>divided</u>: some people strongly agreed, and some people strongly disagreed with the message of the campaign. In your specific case, you <u>strongly disagreed</u> with the brand's stand.**

The questionnaire continued with an attention check, questions about purchase intention, positive and negative brand perceptions, and finally questions about the respondent's demographics including age, gender and nationality.

Attention Check. After all participants read a scenario in which a soft drink brand to which they were loyal or non-loyal took a stand on the issue of abortion, an attention test was administered. The attention check was included to filter out inattentive respondents. The first question was, "In your specific case, did you agree or disagree with the statement?" and people could select whether they agreed, disagreed, or could not remember. The other question asked, "How did the people react to the message of the campaign according to the scenario?" with possible answers being that most people agreed, were divided, or respondents could not remember.

Purchase Intention. A 3-item scale has been proposed to assess purchase intention in all conditions. Participants were asked the following questions: "If I wanted to buy a soft-drink and *previously indicated brand* was available, I would probably buy this product/brand.", "I

would probably be likely to buy *previously indicated brand*." and "I would consider buying *previously indicated brand*.", on a 7-point Likert scale (1-Stronly disagree; 7-Strongly agree).

Positive and Negative Brand Perceptions. Next, questions about negative and positive brand perceptions as exploratory variables were included to analyze possible underlying reasons for people's purchase intentions when they agree or disagree with the brand's statement. As mentioned earlier, research is inconsistent on how loyal people respond to controversy, especially when they hold opposing views (Grégoire and Fisher 2008; Schmalz and Orth 2012). Although most research points to a buffering effect of loyalty (Schmalz and Orth 2012), there is no certainty about how brand perceptions change, which in turn can influence purchase intention. Both variables were assessed by a 3-item scale on a 7-point Likert scale (1-Stronly disagree; 7-Strongly agree) once again. Respondents were asked firstly whether *Brand X* is brave, cares about society and is innovative, and secondly whether *Brand X* is aggressive, harms society and is disrespectful.

5. Results

In total, 331 individuals participated in this experiment, of which 55 did not drink soft drinks and were therefore excluded from the analysis, resulting in a final sample of 276 participants. Among the participants included in the final sample, 275 reported their gender, of which 59.3% were female (n = 163), 40% were male (n = 110), one selected "Other" and one preferred not to say. In addition, 274 individuals provided their age, with an average of 28.49 years and a standard deviation of 10.11 years. Detailed demographics are provided in Appendix 3.

5.1 Data Cleaning

Before the analysis, I excluded people who failed the attention check using a filter in SPSS with the needed criteria. Participants had to remember correctly whether they agreed or disagreed with the brand's statement and how the people reacted to it in the presented scenario. Based on

this, 46 people failed the attention check leading to 230 valid answers (56.5% female, 42.6% male; average age = 28.53, SD = 10.11). Besides, some values were missing among the people who filled out the survey, which were deleted pairwise.

5.2 Reliability Check

Next, I checked the reliability of the purchase intention scale, positive brand perception scale and negative brand perception scale. The Cronbach's Alpha was used to measure the consistency of the items within each scale as all variables were measured using multiple-item scales. Values of 0.7 or more mean that the questions combined in the scale measure the same construct (Saunders, Lewis, and Thornhill 2016). The reliability for purchase intention was sufficient ($\alpha = .97$). Given this sufficient reliability, I averaged the three items to form a purchase intention index. Both exploratory variables, positive brand perceptions ($\alpha = .87$) and negative brand perceptions ($\alpha = .73$), were internally consistent as well. Consequently, an average index was calculated for both variables, which is used in the further analysis.

5.3 Hypothesis Testing

First, I analyzed if for controversial brands (vs. non-controversial), loyal people's purchase intention remained the same or slightly decreased when they disagree with the brand's statement, but if purchase intention decreased less than for non-loyal people (H_{1A}). In order to do this, I conducted a two-way ANOVA with the purchase intention index as the dependent variable and the loyalty and controversy conditions as independent variables. As expected, this analysis revealed that the effect of the controversy condition on purchase intention was significant ($F(2, 224) = 38.17$, $p < .001$): Participants in both conditions with agreement to the brand's statement had a higher purchase intention ($M_{NoConAgree} = 5.07$, $SD_{NoConAgree} = 1.77$; $M_{ConAgree} = 5.3$, $SD_{ConAgree} = 1.66$) than participants who disagreed with the brand's statement ($M_{ConDisagree} = 3.36$, $SD_{ConDisagree} = 1.79$). Also consistent with my hypothesizing, there was a

significant main effect of brand loyalty on purchase intention ($F(1, 224) = 138.24$, $p < .001$): Loyal participants had an overall higher purchase intention ($M_{Loyal} = 5.61$, $SD_{Loyal} = 1.51$) compared to non-loyal ones ($M_{Nonloyal} = 3.36$, $SD_{Nonloyal} = 1.67$). However, the interaction of controversy and brand loyalty did not reach a level of significance ($F(2, 224) = 1.5$, $p = .226$). Thus, this result does not support H_{1A}.
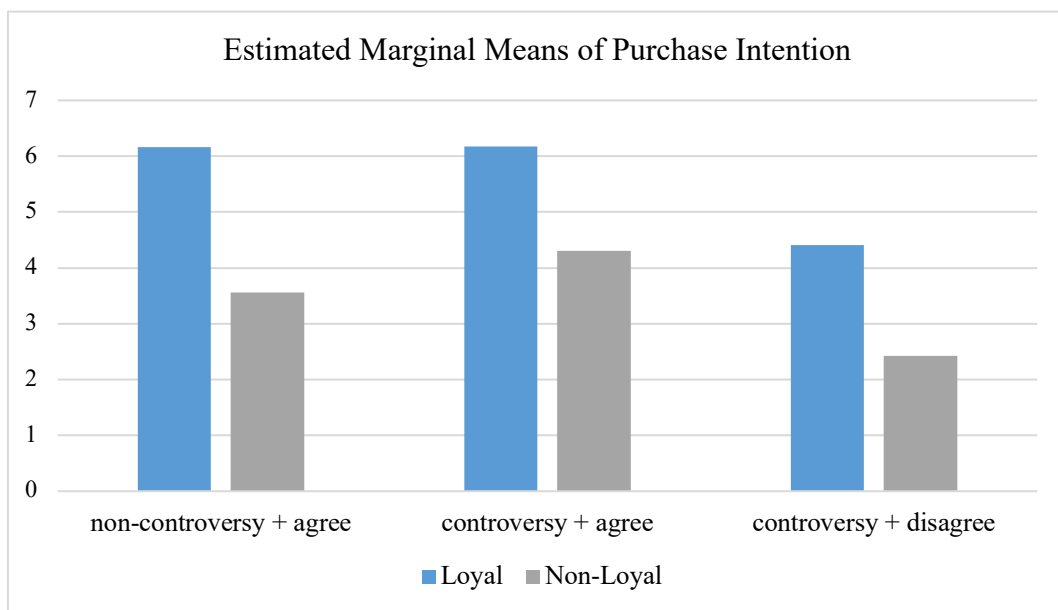

Figure 1. H_{1A}: Estimated Marginal Means of Purchase Intention

For hypothesis H_{1B}, I tested if loyal people's purchase intention was higher compared to non-loyal people when they agree with the statement (regardless of a controversial or non-controversial brand). The analysis showed that, as expected, participants in the loyalty condition have a higher purchase intention ($M_{loyal} = 6.16$, $SD_{loyal} = 1.06$) compared to participants assigned to the non-loyalty condition ($M_{nonloyal} = 3.96$, $SD_{nonloyal} = 1.59$). The analysis confirmed a significant positive effect ($F(1, 147) = 102.14$, $p < .001$), therefore supporting H_{1B}.
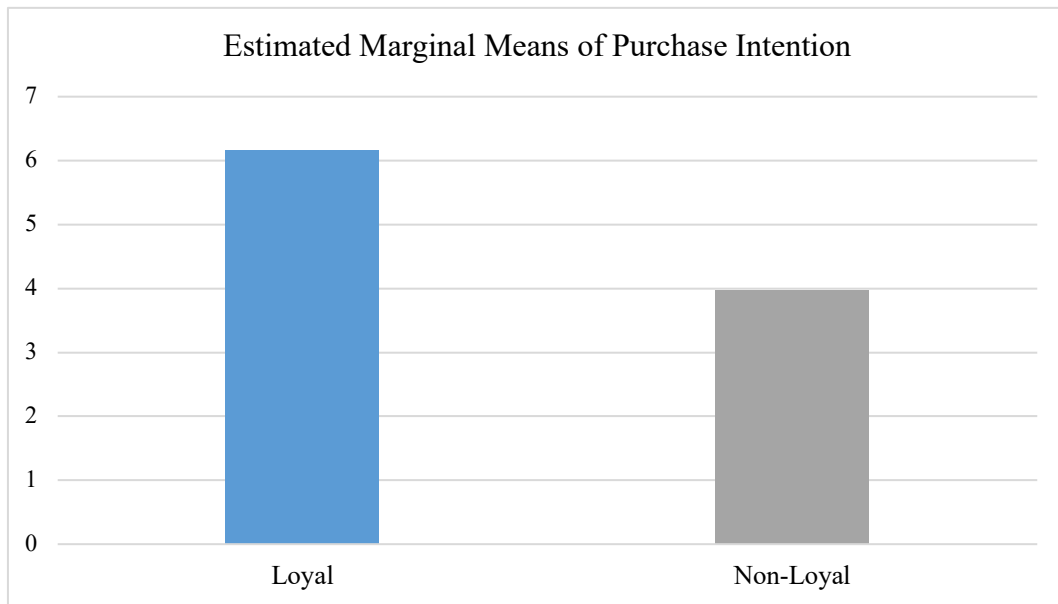
Figure 2. H$_{1B}$: Estimated Marginal Means of Purchase Intention

Next, I explored if there was an effect of the controversy condition and loyalty condition on positive and negative brand perceptions by conducting a two-way ANOVA (see Appendix 4 and Appendix 5). The first analysis showed that there was an effect of controversy on positive brand perceptions ($F(2, 224) = 27.76$, $p < .001$), as well as an effect of brand loyalty on positive brand perceptions ($F(1, 224) = 6.18$, $p = .014$). Overall, participants in both conditions with agreement to the brand's statement had higher positive perceptions ($M_{NoConAgree} = 4.64$, $SD_{NoConAgree} = 1.24$; $M_{ConAgree} = 4.92$, $SD_{ConAgree} = 1.22$) than participants who disagreed with the brand's statement ($M_{ConDisagree} = 3.43$, $SD_{ConDisagree} = 1.45$). Besides, loyal respondents had overall higher positive perceptions ($M_{loyal} = 4.55$, $SD_{loyal} = 1.47$) than non-loyal ones ($M_{nonloyal} = 4.04$, $SD_{nonloyal} = 1.41$). The interaction of the two independent variables on positive perception, though, was found to be not significant ($F(2, 224) = .31$, $p = .732$).

The second analysis indicated a significant main effect of controversy on negative brand perceptions ($F(2, 224) = 20.14$, $p < .001$). Negative perceptions were overall lower for participants in the agreement condition ($M_{NoConAgree} = 3.09$, $SD_{NoConAgree} = 1.27$;

$M_{ConAgree}$ = 3.05, $SD_{ConAgree}$ = 1.03) compared to the participants in the disagreement condition ($M_{ConDisagree}$ = 4.13, $SD_{ConDisagree}$ = 1.28). However, brand loyalty did not have an impact on negative perceptions ($F(1, 224 = .04, p = .839)$. Concerning the interaction of the two independent variables on negative brand perception, the effect was not significant either ($F(2, 224) = .001, p = 0.999$).

6. Discussion and Conclusion

Brands are increasingly pressured to take a stand on sociopolitical issues as consumers demand it from them (Hydock, Paharia, and Blair 2020). However, managers do not want to risk angering customers who disagree with their position, as there is still scarce research on the consequences of controversial brands (Bhagwat et al. 2020; Hydock, Paharia, and Blair 2020). The main purpose of this study was to understand if brand loyalty could serve as a buffer and attenuate the negative effects of engaging in CSA, more precisely to determine how the interaction of controversy and brand loyalty influenced purchase intention. To fill this research gap, this paper conducted an experiment with a final sample of 276 participants on controversy and brand loyalty and their effects on purchase intention. The results show that there is no impact of controversy and brand loyalty on purchase intention. This advances the literature in the sense that not even loyalty seems to be sufficient to mitigate the negative effects of controversy when people disagree. This study finds that loyal people generally have higher purchase intentions than non-loyal people when they agree, regardless of whether the brand is controversial or non-controversial. Finally, it contributes to an initial exploration of the influence of brand loyalty and controversy on brand perception.

As H_{1A} could not be confirmed, the effect of controversy on purchase intention is similar regardless of the level of brand loyalty. This result is inconsistent with previous research which found that brand loyalty has a buffering effect, such as a positive impact on post-controversy attitude (Banerjee 2018), and that loyal people tend to defend a brand when it fails (Cheng,

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White, and Chaplin 2012) or is confronted with negative opinions or rumors (Amine 1998). Yet, the analysis revealed a significant effect of controversy on purchase intention, which is that the purchase intention for the controversy and disagreement condition was lower than for the other two conditions (controversy and agreement, non-controversy and agreement). In addition, there is an effect of loyalty, i.e., loyal people have a higher purchase intention than non-loyal people, regardless of the level of the controversy condition. Along with this result, purchase intention of loyal people was higher than that of non-loyal people when they agreed with the statement, as was hypothesized in H_{1B}. This finding is in line with previous research that investigated higher purchase intention among higher brand loyalty (Chi, Yeh, and Yang 2009; Malik et al. 2013). In summary, the two independent variables controversy and brand loyalty each have an effect on purchase intention, independently of each other. Besides, the level of loyalty can influence the level of purchase intention when people agree with the brand's statement, regardless of whether it is a controversial or non-controversial one.

Furthermore, I explored the impact on brand perceptions to determine whether loyal consumers are more likely to be resilient and forgiving when brands engage in CSA and they disagree with the brand's statement, or whether they are more likely to perceive the brand more negatively when they disagree. Neither an interaction between controversy and loyalty on positive brand perception nor on negative brand perception could be demonstrated. This means that the effect of controversy on brand perception is the same regardless of the brand loyalty level. Hence, there is neither evidence that loyal people are more likely to forgive a brand when they disagree nor that they are more disappointed. Nevertheless, the controversy condition influences both negative and positive brand perception. Positive brand perception was much higher for the two controversy conditions with agreement compared to the controversy with disagreement condition. Simultaneously, negative brand perception was higher for the controversy with disagreement condition compared to the other two conditions with agreement. This is consistent

with Mukherjee and Althuizen (2020) who had previously investigated that disagreement between the consumer and brand on the brand's stand resulted in a decline in consumer attitudes, intentions and behavior. This study also confirmed a relationship between loyalty and positive brand perception, as demonstrated by Bilgin (2018). Thus, loyal people had a generally more positive brand perception compared to non-loyal ones. In contrast, interestingly, brand loyalty did not affect negative brand perception. Negative brand perceptions were very similar irrespective of whether loyal or non-loyal. One possible explanation could be that the three characteristics selected for negative brand perception were "aggressive," "harms society," and "disrespectful," which consumers may have related to the action of the brand, but not the brand itself, so they may still have an overall positive perception of the brand.

6.1 Theoretical and Managerial Implications

This research has some significant contributions to the brand loyalty and controversy literature. It is the first to examine the role of brand loyalty in the context of controversy. Based on the previously discussed results, there is no evidence of a significant effect of brand loyalty on purchase intention when individuals disagree with the brand's statement. Thus, it appears that not even loyalty can serve as a buffer, although previous work has provided substantial evidence of its buffering role. Further research is necessary to confirm these results and understand the impact of brand loyalty in order to assess whether consumers are more likely to forgive or be disappointed when a brand takes a contrary stand.

The current study reveals some important managerial implications of brands' engagement in controversy. The collected information can help managers decide whether taking a public stand on sociopolitical issues will be more likely to benefit or harm their brand by providing information on whether the risk of controversy is lower for brands with a large base of loyal consumers.

It is critical that companies know and study their consumers and their characteristics well so that they can adapt accordingly and know how to best position themselves. This work project encourages more caution in taking a public stand, particularly when the consumer audience is very divided on a hot topic in order to minimize risks and prevent anti-brand behavior. This is in line with previous literature on controversy suggesting that taking a stand is overall risky, unlike consultancy reports that advocate engaging in controversy. Especially, as my findings prove that purchase intention and positive brand perception are significantly higher when people agree with the brand compared to disagree, the risk of engaging in controversy is reaffirmed. At the same time, negative brand perception was found to be greater when people oppose the brand's position than when they agree.

Nevertheless, it is imperative for brand managers to invest in brand loyalty to gain a long-term competitive advantage (Gommans, Krishnan, and Scheffold 2001). As this study suggests that loyal consumers have higher purchase intentions than non-loyal consumers when they agree with the brand's statement, regardless of a controversial or non-controversial scenario, managers are advised to grow their loyal consumer base. Brand loyal people generally have a more positive perception of the brand which has been proven in this study. It becomes apparent that companies must weigh the pros and cons of engaging in controversial topics carefully. On the one hand, they can strengthen the bond with current consumers and possibly gain new customers who agree with them. On the other hand, they risk damaging relationships with customers and their brand perceptions who disagree, which cannot even be diminished by brand loyalty.

6.2 Limitations and Future Research

This study has some limitations that relativize the results. First, the generalizability of the results

may be limited because only one controversial topic was studied. If participants do not have a clear opinion on whether they agree or disagree with abortion, it may be difficult to imagine a controversial scenario for a brand. It is also possible that some respondents had not yet thought deeply about the issue or shared their opinions with others when answering the survey, which would narrow the scope of their responses. In addition, only one brand is considered for one specific category to which one is loyal or non-loyal. Consumers may attach different levels of loyalty to different product categories. To verify the results, the experiment would need to be repeated with a brand from a different category or industry than soft drinks and a different controversial topic than abortion.

A second limitation relates to the sample with regard to nationality. As the sample consists of 84.4% Germans, the German nationality and generally Europeans are overrepresented. The results cannot be generalized to other populations due to the lack of diversity. Different nationalities and cultures may have differing views on what they perceive to be controversial issues, possibly leading to different brand perceptions and purchase intentions. Future studies should be designed to represent the total population and have the most diverse sample possible.

Further research should be conducted to study the underlying effects of brand loyalty in controversial scenarios to support the findings. Because this study has limitations, examining a larger and more diverse sample could be beneficial and lead to a better understanding of whether loyalty has a buffer effect or not when brands engage in controversy. It would also be interesting to investigate the effects on different relevant dependent variables such as word-of-mouth or willingness to pay.

Finally, future research should explore if other independent variables than brand loyalty interact with controversy on the dependent variable purchase intention. Since this study could not prove that brand loyalty affects purchase intention when people disagree with the brand's statement, there might be other factors such as brand trust, brand attitudes or brand perceived quality which

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have a stronger effect and can mitigate the negative effects. This would have significant implications for managers, putting them in a better position to assess the benefits and risks of engaging in controversy or not. Future research is essential to investigate the full effect of brands engaging in controversial issues on consumer behavior.

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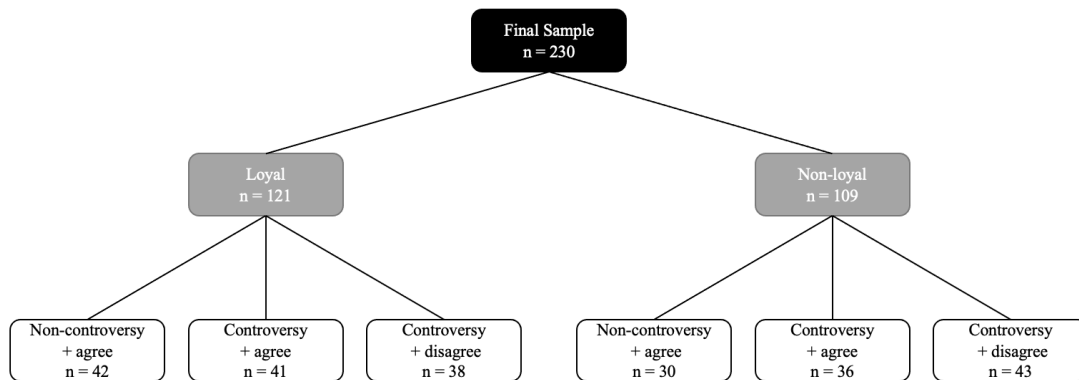
Appendix

Appendix 1: Full questionnaire

| Q1. Soft Drinks	Do you drink soft drinks (e.g. carbonated juices, energy drinks, ice tea, cola, lemonade, …)? - Yes - No
Q2. Loyalty Manipulation	List the soft drink brand you feel **most** loyal to. Think of one soft drink brand that you feel loyal to as a consumer. A brand or product that you wouldn't want to replace with any other brand. The soft drink brand I feel most loyal to is: **OR** List the soft drink brand you feel **least** loyal to. Think of one soft drink brand you are not loyal to as a consumer. A brand or a product you can easily replace with something else. The soft drink brand I feel the least loyal to is:
Q3. Controversy Manipulation	**Please read the following scenario very carefully to ensure that you remember all the information. Note that you cannot return to this page.** Imagine a scenario where *previously indicated brand* had launched a campaign in which the company takes a stand on the topic of abortion. The campaign ran in many different countries. Most people agreed with the message of the campaign. In your specific case, you strongly agreed with the brand's stand. **OR** Imagine a scenario where *previously indicated brand* had launched a campaign in which the company takes a stand on the topic of abortion. The campaign ran in many different countries. People were divided: some people strongly agreed, and some people strongly disagreed with the message of the campaign. In your specific case, you strongly agreed with the brand's stand. **OR** Imagine a scenario where *previously indicated brand* had launched a campaign in which the company takes a stand on the topic of abortion. The campaign ran in many different countries. People were

|	
	divided: some people strongly agreed, and some people strongly disagreed with the message of the campaign. In your specific case, you strongly disagreed with the brand's stand.

Q4. Attention check	**Please answer honestly: your answers are anonymous and we need to know what you recall to collect more valid data. Thank you!**
	
	1. You have just read a scenario where a brand takes a stand on the topic of abortion. In your specific case, did you agree or disagree with the statement?
	
	    - I agreed
	
	    - I disagreed
	
	    - I don't remember
	
	2. How did the people react to the message of the campaign according to the scenario?
	
	    - Most people agreed
	
	    - People were divided
	
	    - I don't remember

Q5. Purchase Intention	Please indicate the extent to which you agree or disagree with the following on a seven-point scale (1 = strongly disagree, 7 = strongly agree) after *previously indicated brand* had taken the stand. 1. If I wanted to buy a soft-drink and *previously indicated brand* was available, I would probably buy this product/brand. 2. I would probably be likely to buy *previously indicated brand*. 3. I would consider buying *previously indicated brand*.
Q6. Positive Brand Perception	Please indicate the extent to which you agree or disagree with the following on a seven-point scale (1 = strongly disagree, 7 = strongly agree) after *previously indicated brand* had taken the stand. 1. This brand is brave. 2. This brand cares about society. 3. This brand is innovative.
Q7. Negative Brand Perception	Please indicate the extent to which you agree or disagree with the following on a seven-point scale (1 = strongly disagree, 7 = strongly agree) after *previously indicated brand* had taken the stand.

	1. This brand is aggressive.
	2. This brand harms the society.
	3. This brand is disrespectful
Q8. Demographics	1. What is your gender?
	- Male
	- Female
	- Other
	- Prefer not to say
	2. How old are you?
	3. What is your nationality?

Appendix 2: Sample distribution

Appendix 3: Sample Demographics

Sample Distribution by Age (n=175)

Sample Distribution by Nationality (n=175)
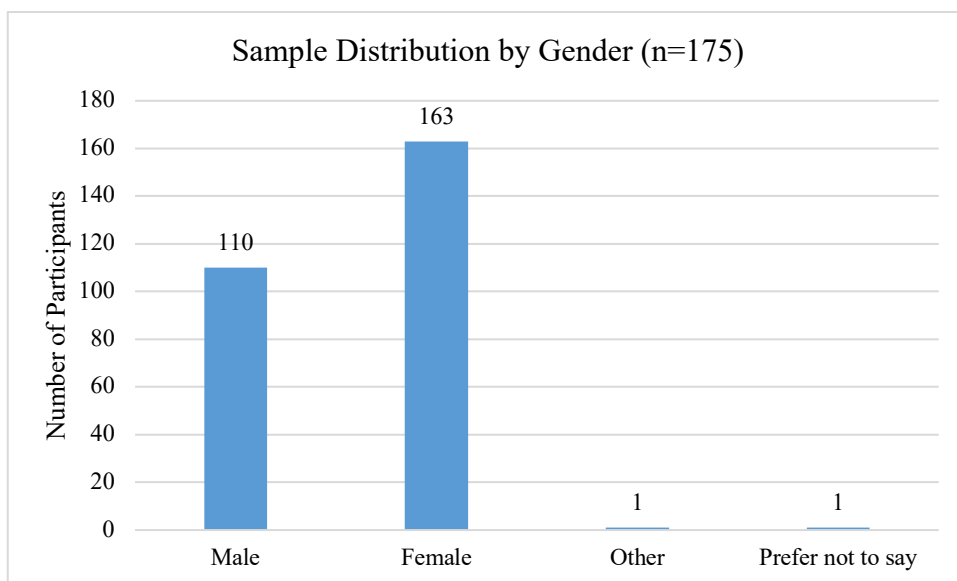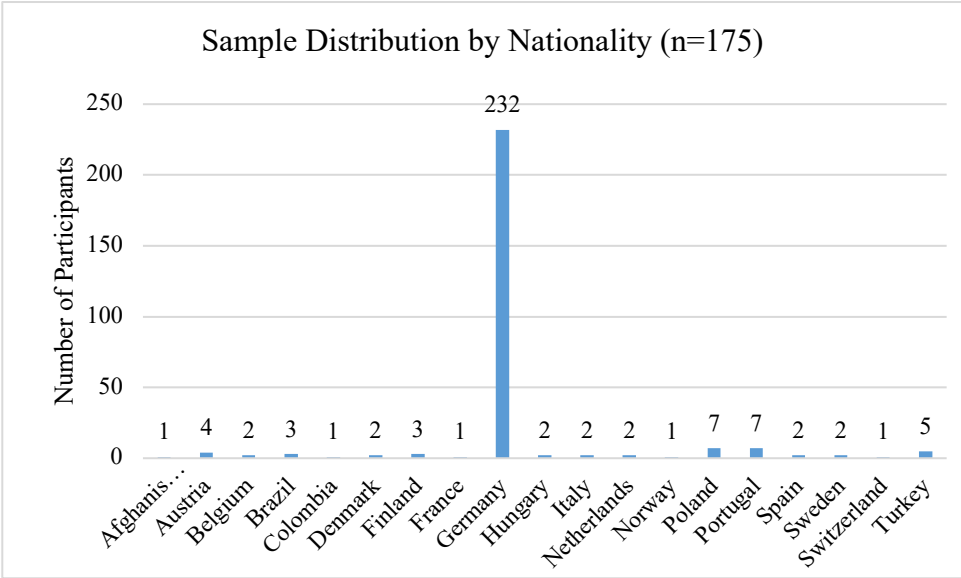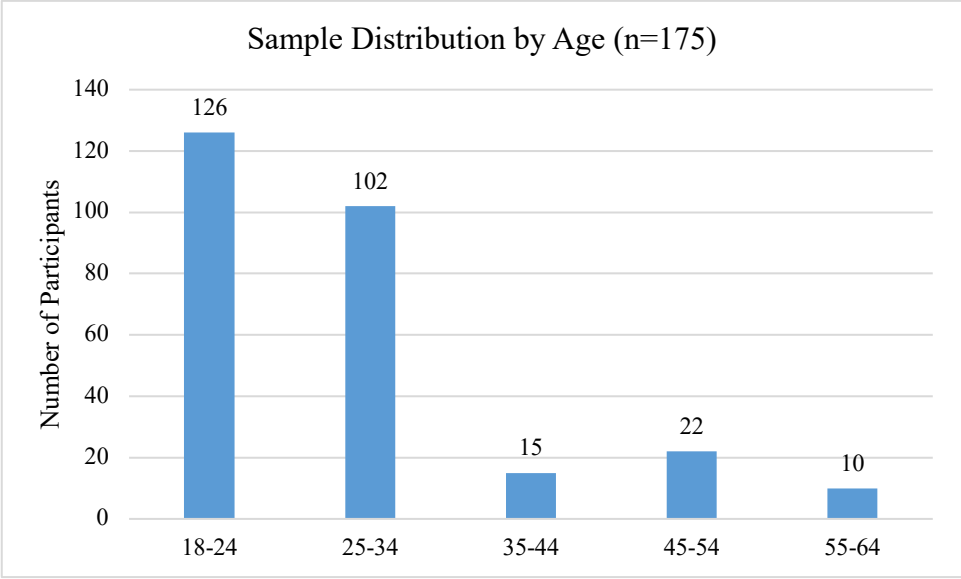
Appendix 4: Estimated Marginal Means of Positive Perception

Estimated Marginal Means of Positive Perception
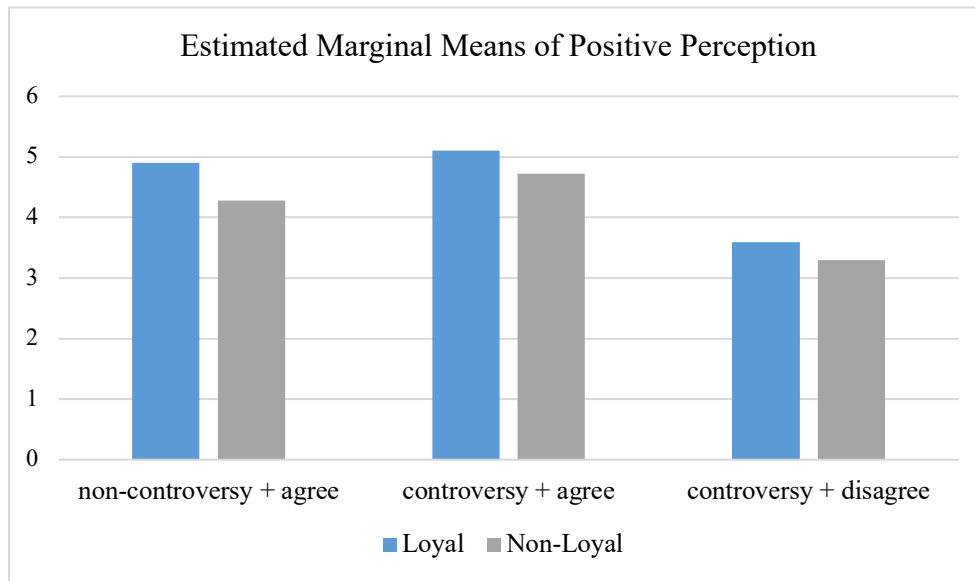
Appendix 5: Estimated Marginal Means of Negative Perception

Estimated Marginal Means of Negative Perception