Title: Consumer Responses to Negative Publicity in the Hospitality Industry

Topic Areas: Consumer Behaviour, Marketing Management, Hospitality Marketing

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Abstract

Brand equity is recognized as one of the most important assets that a firm owns. Negatively publicized instances such as defective/dangerous products (e.g., sudden acceleration problems in Toyota vehicles) are likely to impair brand equity. In the hospitality industry, negative publicity may also be associated with life-threatening issues such as a happening of fire in a hotel or food-poisoning in a restaurant. In an increasingly globalized marketplace, consumers' processing negative brand publicity is likely to be complicated and it is important to look into how negative brand publicity affects consumer responses, the consumer attribution processes involved, and the severity of the outcome.

The main research objective of this study is to examine consumer responses toward negative publicity in the hotel industry of mainland China. It is believed that the consumer responses to negative publicity may be different for different types of hotels (such as luxury vs. non-luxury) or different types of ownership (such as state-owned, foreign-owned, privately-owned, and joint-ventured). It is also believed that the impact of negative publicity would be greater if the publicity is related to physical risk rather than other types of perceived risks.

In order to examine the proposed hypotheses, in-depth interviews of 12 senior hotel managers and questionnaire survey of 180 hotel customers were conducted in a major province of China. Results generally support the proposed hypotheses and demonstrate that consumer responses toward negative publicity are the worst when the hotel type is non-luxury (vs. luxury) and the type of ownership is privately-owned. In addition, the negative impact is greater when the negative publicity is associated with a higher level of perceived physical risk (vs. other types of risks such as financial risk, functional risk, or psychosocial risk). The findings provide some managerial implications for hotel managers to properly handle crisis management or negative brand publicity.