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Masters in  
**Data-Driven Marketing**

**Consumer Behaviour on Crisis-Facing Brands**

The Importance of Reputation

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Dissertation

as partial requirement for obtaining the Master Degree Program in Data-Driven Marketing

**NOVA Information Management School**  
**Instituto Superior de Estatística e Gestão de Informação**

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IMPORTANCE OF REPUTATION**

by

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**Orientador(a):** Prof. Teodóra Szabó-Douat

July 2023

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*Júnia Filipa Braz Guimarães*

*Lisboa, 11 de Julho de 2023*

## **DEDICATION**

To my mother and sister, who have always been my pillars of strength.

To my girlfriend, who has been a source of inspiration and motivation.

## **ABSTRACT**

The mention of a brand name frequently creates an instantaneous connection within consumers' minds. Numerous elements can influence this association, such as the brand's marketing efforts or previous involvement in scandals or controversies. The reputation of a brand holds significant importance in determining the success of a business, as it shapes consumer perceptions and behaviors. The research methodology employed in this study involved the use of an online survey that gathered a total of 200 responses from a diverse range of participants. The study examined four hypotheses concerning the effects of public scandals on customers' purchasing decisions and the influence of income on consumer behavior.

## **KEYWORDS**

Brand Reputation; Brand Awareness; Consumer Behavior; Marketing; Strategy; Insights

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## LIST OF ABBREVIATIONS AND ACRONYMS

<b>RQ</b>	Research Question
<b>N</b>	Frequency
<b>P&amp;L</b>	Profit and Loss
<b>Sig.</b>	Significance
<b>Std.Deviation</b>	Standard Deviation

## 1. INTRODUCTION

When you hear a brand's name, what is the first thing that pops into your head: the outstanding marketing campaigns they put out, or that one scandal that they have been involved in, a decade ago? The success of a brand is directly linked to its reputation, and for consumers, this reputation is a summit of their experiences, perceptions, and beliefs regarding the brand (Esin et al., 2022). While an outstanding marketing campaign can create a positive image, the effect of a scandal can be devastating and can alter the course of a brand's trajectory for years to come (Van Heerde et al., 2007). Thus, an in-depth analysis of the impact of a crisis on consumer loyalty is crucial for understanding how consumers respond to such events and what drives them to lose their loyalty to a brand. Moreover, as consumer behavior varies across generations, it is important to study the differences that arise in different cohorts (Kumar, 2014). Consequently, it is of most interest to examine the various groups to gain a better understanding of their preferences, attitudes, and responses since this approach can provide insights into how brands can manage crises more effectively, leading to better outcomes and a better reputation.

To sustain the rationale of the thesis, this paper will now present three noteworthy public scandals involving widespread online boycotts, a significant decline in stock prices, and the consequent loss of client loyalty for the affected brands. Starting with Coca-Cola, in 2020's European Cup, Cristiano Ronaldo swapped a bottle of Coca-Cola with a bottle of water during a press conference, insinuating that water was a healthier beverage option. This simple gesture had an instant impact on Coca-Cola's financial performance, leading the company to experience a drop in its stock value within minutes of the incident. When examining the percentage drop in Coca-Cola's stock value, one may think that it was not significant as the stock declined only 1.6%. However, given the magnitude of the company, this drop translated into a substantial financial loss, with Coca-Cola losing approximately 4B dollars in market capitalization (Nagarajan, 2021). Hence, the incident had a significant impact on the company's financial standing, highlighting the adverse consequences of public scandals for large-scale brands.



Figure 1 - Coca-Cola's stock price (INSIDER, June 2021)

In reference to the 2017 Pepsi "Live For Now" commercial featuring Kendall Jenner, despite issuing a formal public apology for the campaign, the brand faced severe backlash from members of the black community and supporters of the Black Lives Matter movement (Wong, 2017). The backlash was immediate and intense, with a huge number of tweets and hashtags created comparing the ad to the Black Lives Matter movement. For instance, users tweeted things like "#PepsiLivesMatter Let's see how far I get walking up to an officer with a Pepsi amid a protest..." and "So no marching or kneeling but garbage sugar water is cool? Got it. #PepsiLivesMatter." Furthermore, the final scene of the ad was criticized for copying a powerful image of Ieshia Evans in Baton Rouge, walking directly towards a cop during a riot. This crisis generated a total of 1.6 million YouTube views in less than 24 hours, and just five hours after its release, Pepsi became a trending topic, generating more than 62,000 tweets (Lifferring, April 2017).



Figure 2 - Comparison between Pepsi's Ad and Ieshia Evans move

In a recent scandal, Balenciaga was criticized for their kids' clothing campaign which included elements of BDSM in kids and prompts like teddy bears. Once again the backlash was immediate, this time through the social app TikTok where thousands of customers including influencers started destroying Balenciaga's products. Even Kim Kardashian, a proud ambassador of the brand, stated that she would reconsider her partnership with Balenciaga after the scandal. As a mother and attorney, she was disturbed by the campaign's images and believed that the safety of children should be held in the highest regard - "As a mother of four, I have been shaken by the disturbing images. The safety of children must be held with the highest regard and any attempts to normalize child abuse of any kind should have no place in our society — period.", she stated on Twitter. The brand faced a \$25 million lawsuit against the team responsible for the campaign (Cartner-Morley, November 2022).



Figure 3 - Balenciaga BDSM Campaign

Brand-related scandals are a prevalent phenomenon in the contemporary business landscape. While some of these scandals attract significant public attention, a proportion of them remain concealed from the public eye. This is often a result of brands' strategic plans to mitigate reputational damage (Li & Wei, 2016). However, despite the prevalence of brand-related scandals, there is a gap in investigating customers' experiences and opinions concerning these events. This thesis aims to address this research gap by answering the following research question:

RQ: What makes a customer lose their loyalty to a brand?

To answer this question, the dissertation will take into account various variables such as (i) do the older generations care less about reputational scandals?; (ii) how does disposable income affect their reaction (do wealthier people care less)?; (iii) would consumers still buy a certain product of a controversial brand just because it is less expensive?

Results will contribute to help brands understand what it takes for an individual to stop being a customer after a reputational crisis and to better create strategies around it. To make this possible, the paper will make use of a quantitative research method, developing a questionnaire that will answer the questions mentioned previously. The research will contribute to the existing literature on brand-related scandals by providing a deeper understanding of the customers' perspectives and how brands approach crises, shielding their reputation by outlining strategies that eliminate high-risk advertisements.

This thesis will be structured as the following:

- Section 1 - This section presents the literature review on the key themes of this thesis, including brand reputation, crisis management, cancel culture, customer segments, and the research gap.
- Section 2 - This section focuses on the methodologies used in this study, subdivided into four subsections: brand scandals, customer profiles, customer impact, and customer loyalty. This

section also presents the different hypotheses generated around these topics, which will be tested through data analysis.

- Section 3 - This section presents the conclusions of the survey conducted, including an analysis of the different consumer profiles and their unique factors. The section will draw on the data collected on the survey to provide insights into customers' experiences and opinions in relation to brand-related scandals.
- Section 4 - This final chapter presents the key findings and takeaways from the study, providing a synthesis of the research.

## **2. LITERATURE REVIEW**

### **2.1. BUILDING A REPUTATION**

Building a strong and positive reputation is important for any individual or organization, as a good reputation can help to attract and retain customers, employees, and partners, and can also increase trust and credibility (P. M. G. D. Leaniz et al., 2016). Depending on specific groups of customers or shareholders, businesses can hold various images providing different experiences.

To establish and uphold a favorable reputation, organizations can take measures such as (i) offering high-quality products or services, providing high-quality products and services the organization will deliver these services to reinforce and build a good reputation within the customers and the overall market; (ii) communicating transparently, being honest and open can help build credibility; (iii) treating others with respect, being a good partner or employer is key to generate positive relationships in a community; (iv) being accountable, having a good sense of responsibility helps to build trust towards customers; (v) engaging with the community, whether online or in person engaging with customers is an asset to strengthen connections (Li & Wei, 2016).

During a crisis, a brand's reputation can be damaged by negative media coverage, loss of trust, and decreased customer loyalty (Yuan et al., 2020). Negative media leads to negative perceptions regarding a brand, whether it is fake news or a real event, as soon as a comment goes online it is very hard to stop the information from spreading (Relling et al., 2016). This can create a loss of trust in the brand especially if the brand is not taking adequate responsibility for the situation or if it is not effectively handling the crisis. When this happens, customers start to change their loyalty towards the brand, making it less likely for them to continue being a customer as they can be socially perceived as having the same beliefs and morals as the crisis-facing brand, hence the need for scandal management strategies (Chung & Beverland, 2006).

## **2.2. CRISIS MANAGEMENT**

Crisis Management can include actions such as issuing public statements, holding press conferences, and using social media to share information and updates. To better access a crisis, brands should start by looking at the SCCT (Situational Crisis Communication Theory) as it holds guidance for preserving reputation using post-crisis communication (Zheng et al., 2018). When facing a crisis, organizations should also consider rebranding as it can help rebuild the brand and restore customer loyalty (Worlu & Ahmad, 2019).

Scandal management includes the implementation of strategies and tactics to address and respond to events or situations that can potentially damage an organization's reputation (Li & Wei, 2016). An effective scandal management approach consists of a multifaceted response, which includes owning up to the scandal and taking responsibility for any wrongdoing or errors, expressing sincere remorse to address the issue, adopting measures to prevent similar occurrences from happening in the future, communicating candidly and transparently with stakeholders and customers, and continuously monitoring the situation to identify and address any emerging concerns (Yuan et al., 2020). By adopting a comprehensive approach, organizations can significantly reduce the negative impact of a scandal on their reputation and strive to re-establish trust with their stakeholders and customers (Harrison-Walker, 2019). Effective scandal management is essential for maintaining a positive organizational image and promoting long-term business success.

## **2.3. CANCEL CULTURE**

Nowadays cancel culture creates serious implications for businesses digitally (D. Clark, 2020). This new tool for calling out questionable behaviors was first introduced by queer communities of color which turned this phenomenon of being “canceled” into a meme (Shifman, 2013). Online boycotts, especially on Twitter, can change consumers’ behavior toward organizations (Odalys Barraza, 2021).

Cancel culture refers to a social phenomenon where individuals, public figures, or organizations face withdrawal of support from their audiences due to their controversial and offensive

actions or statements. The practice involves a range of actions such as boycotting products or services, demanding the removal of individuals from positions of power, or expressing public condemnation on social media platforms (Ibrahim et al., 2017). Supporters of cancel culture view it as a means of social accountability, holding people and organizations to a certain standard of behavior. However, the practice has been criticized for its potential to be overly punitive and for its lack of consideration for context and the possibility of redemption. Some public figures argue that cancel culture creates a culture of fear where individuals and organizations are hesitant to express their opinions or take risks due to fear of backlash, leading to a chilling effect on free speech. The controversy surrounding cancel culture highlights the need for a nuanced and balanced approach to holding individuals and organizations accountable for their actions while also considering context and the possibility of redemption.

## **2.4. CUSTOMER SEGMENTS**

In the field of business, customer profiles, also known as buyer personas, are an essential tool that aids in understanding the target audience by utilizing market research and data analysis. These profiles typically encompass various aspects such as (i) demographic, such as age, gender, income, education, or location; (ii) psychographic, such as values or lifestyle; (iii) behavioral, such as shopping habits or brand loyalty; (iv) goals and motivations; (v) pain point information, meaning the problems or challenges the customer faces, that an organization can help overcome (Kumar, 2014). By developing a comprehensive customer profile, businesses can obtain valuable insights that enable them to make informed decisions about product and service development, as well as implement effective segmentation strategies to target the right audience (Pratama et al., 2022). Consequently, businesses can improve their marketing efforts, enhance customer satisfaction and loyalty, and ultimately increase their revenue and profitability.

Businesses use customer profiles to customize their marketing, sales, and product offerings to cater to the specific needs of various customer types (Travassos Rosário & Europeia, 2023). These

profiles may include different categories such as the loyal, the price-sensitive, the impulse buyers, the bargain hunters, the quality-conscious, the early adopters, and the emotion-driven customers. It is essential to note that customer types can evolve, requiring businesses to devise mechanisms for identifying and segmenting customers using methods like customer surveys and data analysis.

## **2.5. RESEARCH GAP**

Although brand-related scandals are mostly public, a lot of them get shadowed, precisely because of the brands' strategies, and at the same time, there is a huge research gap on the customers' experience and opinions. *"While there is an abundance of literature written on what the best communication practices are in crises, there is little that depicts the direct, real-life ramifications that these practices have concerning brand reputation specifically."* (Meister, 2019).

Crisis events can have a significant impact on consumer perceptions and behaviors, and understanding how consumers respond during these times is important for companies as they navigate through the crisis and try to maintain or rebuild their brand image (P. M. G. D. Leaniz et al., 2016). However, studying consumer behavior during crises can be challenging due to the unpredictable and rapidly changing nature of these events (Shi, 2018). In such situations, it can be challenging for brands to understand how to effectively communicate with and engage their customers, as well as how to adapt their marketing and business strategies to meet changing consumer needs. It is also difficult to generalize findings from one crisis event to another, as each crisis is unique and may have different effects on consumers. Despite these challenges, researchers need to continue studying consumer behavior during crisis events to provide insights and guidance for companies facing these challenges.

Customer loyalty plays a critical role in shaping marketing and business strategies, as it directly impacts a company's profitability and growth. However, despite a company's best efforts to build a loyal customer base, various factors can cause customers to lose their loyalty to a brand. Therefore, the research question "What causes customers to become disloyal to a brand?" necessitates an extensive investigation into the numerous factors that contribute to customer defection and churn.

## **2.5.1. Hypothesis Formulation**

### **2.5.1.1. Brand Scandals**

The perception that customers have of a brand, based on factors such as its reputation, quality, and values is known as brand image. This can impact the customers' decisions, as they are often concerned about a brand's reputation and morals since, in a way, it reflects the values that the person who is wearing a product or making use of a service hold. The feeling of wearing counterfeit products leads customers to feel less authentic and dishonest (Gino et al., 2010). It is a fact that individuals are influenced by public opinions, hence the need to find a brand that is both popular and well-regarded. Thus, customers tend to be more attracted to organizations that align with their beliefs as well as a brand that they can trust based on transparent and ongoing communication or customer reviews. As a result, businesses need to prioritize their brand image, through measures such as providing excellent customer service, being transparent, and consistently delivering high-quality products and experiences. This can help to create a competitive advantage and build customer loyalty (Wang et al., 2021).

**H1:** Public scandals have a negative influence on customers' loyalty. Public scandals can lead to a loss of trust and prompt customers to seek alternatives, thereby reducing customer loyalty.

### **2.5.1.2. Customer Profile**

The age of a person can impact the type of customer they are. Older customers may prioritize quality and reliability, while younger customers may prioritize innovation and technology. Age can also affect a customer's purchasing habits, decision-making process, and preferred shopping channels and interactions with brands (Kumar, 2014). On the other hand, income can also impact the type of customer they are. For instance, those with higher incomes may prioritize premium products and services, while those with lower incomes may prioritize affordability. Additionally, a person's income can impact their buying behaviors, decision-making processes, and preferred channels for engaging with brands. For example, high-income customers may favor physical stores and personalized

experiences. In contrast, low-income customers may prefer online shopping for convenience since most of their time is occupied with work and affordability.

For some time now the world has seen that the younger generations are prioritizing social and environmental issues more than other factors and are taking the company's ethical and moral values into account when making purchasing decisions. “Where millennials are spenders, happy to splurge on the one designer item they desire, Generation Z shops for value: they look to make their money go farther. And yet, while they’re determined shoppers, they’re also adept online researchers” (Vision Critical, 2016). This behavior can be attributed to various reasons such as better access to information and raising awareness of the consequences of consumer choices on the environment. This can have a great impact on a brand’s customer loyalty when they face a reputational crisis related to social issues. At the same time, individuals with higher financial means might prioritize the brand's luxurious products or services that match their way of living, so, if some reputational issues come up within a brand where they are customers, they might change for a new one that matches their status best. On the contrary, individuals with lower incomes may prioritize cost-effectiveness and worth over brand reputation.

However, it is crucial to recognize that age or income alone doesn't solely determine a customer's type and that customers can fit into more than one category. For instance, an older customer can still be tech-savvy and interested in new products, while a younger customer can be price-conscious and look for deals. Similarly, a high-income customer can also be a bargain hunter, while a low-income customer may prioritize quality over price. Hence, it's essential for businesses to study these factors, including age, when developing customer profiles and comprehending their target market. By adopting a comprehensive approach and analyzing various aspects, businesses can gain a comprehensive and sophisticated understanding of their customers and their preferences (Kumar, 2014).

**H2:** The age of a customer will moderate the effect on their loyalty towards a crisis-facing brand. Customers who are younger tend to show more awareness, resulting in swift and decisive reactions.

**H3:** The disposable income of a customer has a negative influence on their decision towards a crisis-facing brand. As a customer's wealth increase they tend to patronize brands that align with their moral values and social standing also tends to rise.

### **2.5.1.3. Customer Loyalty**

Over an extended period, businesses can establish long-term relationships with customers that result in repeat purchases, valuable benefits, and increased brand loyalty through positive word-of-mouth referrals. When a customer has a history of repeat purchases, they tend to become more familiar with the brand and its offerings. This familiarity can lead to a sense of trust and comfort, which can in turn lead to a stronger emotional connection to the brand. Moreover, long-term customers often have a more personalized experience with the brand, as they have had more opportunities to interact with the company and its employees (Azlan bin Hamzah & Farid Shamsudin, 2020). This personalized experience can further strengthen the emotional connection that the customer has with the brand. In addition to emotional factors, long-term customers can provide valuable benefits to the brand. For instance, they may be more likely to recommend the brand to others, which can lead to new customers and increased sales. Long-term customers may also be more forgiving of occasional missteps or mistakes by the company, as they have a history of positive experiences to draw from (Khadka et al., 2017). Therefore, businesses that prioritize retaining long-term customers by providing excellent customer service, personalized experiences, and quality products or services can benefit from increased customer loyalty and a competitive edge in the market .

**H5:** Being a long-term customer has a positive influence on customer loyalty. Establishing a long-standing relationship with a brand and gaining insight into its values and operations can make it challenging for a customer to withdraw their loyalty from the brand.

### 3. METHODOLOGY

The present dissertation adopts a quantitative research design, utilizing a survey as the primary data source. The survey comprises diverse questions that assess distinct aspects of the respondents, facilitating a comprehensive analysis of the data (Scheuren, 2004). Investigating customer behavior is extremely important since it significantly impacts businesses suffering from a reputational crisis, and exploring how various generations and income levels influence consumer decisions. The primary research question that this study seeks to answer is "What factors contribute to a loss of customer loyalty following a scandal?". This research question aims to elucidate the underlying reasons why consumers abandon their loyalty to a brand.

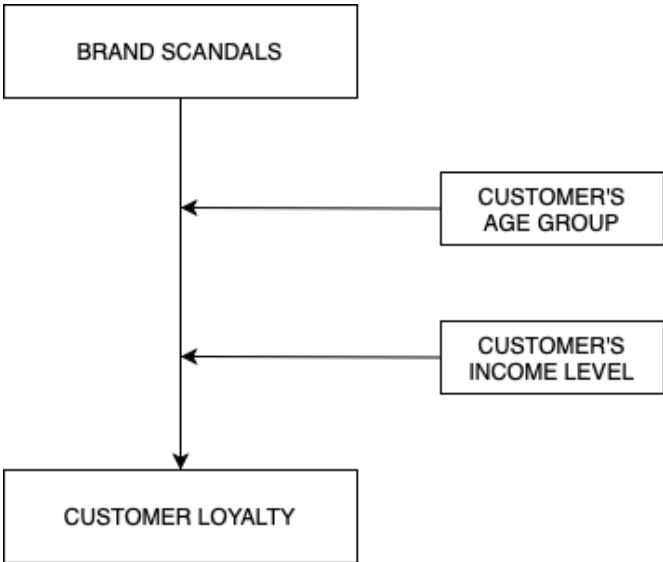


Figure 4 - Research Model

The survey has been developed to aid the research objectives of the thesis, which seeks to comprehend the impact of diverse factors on customers' decision-making processes. These factors may encompass respondents' nationality (i.e., Portuguese citizen or foreigner), income level (i.e., lower or higher), gender identity (i.e., woman, man, or other), generational cohort (i.e., Gen Z, Gen X, or millennial) and education level (i.e., still studying, secondary school, bachelor's degree, master's degree or Ph.D.). The survey intends to collect varied information to yield a segmented conclusion.

Therefore, the survey comprises queries employing Likert scales ranging from 0 to 5 and multiple-choice questions (Joshi et al., 2015).

### 3.1. SURVEY CONSTRUCTION

Constructs	Questions
<p style="text-align: center;"><b>Brand Scandals</b></p>	<p>When buying from a brand, how much these factors weight on do your decision?</p> <p>With what frequency do you purchase from these brands?</p> <p>Now that you know of this situation, is this information important for your purchasing decisions?</p>
<p style="text-align: center;"><b>Customer Profile</b></p>	<p>What gender do you identify as?</p> <p>How old are you?</p> <p>Where are you from?</p> <p>What is your education level?</p> <p>What is your household monthly income (net)?</p> <p>Do you have income from sources other than salary?</p>
<p style="text-align: center;"><b>Customer Loyalty</b></p>	<p>Did you already had knowledge about this case?</p> <p>Now that you know of this situation, is this information important for your purchasing decisions?</p>

Table 1 - Constructs and Questions

The selection of an online survey as the research method was motivated by its convenience and accessibility. The principal aim of the survey is to gather meaningful feedback and viewpoints of customers and enable an extensive comprehension of the aspects that affect their brand loyalty. The survey form has been structured to include measures such as Likert scales with a range of 1 to 5, multiple-choice questions, open-ended queries, and matrix tables. Furthermore, the survey encompasses demographic indicators to determine the respondent's age, gender, educational level, and net income, thereby providing significant insights into the attributes of the sample population.

## 4. RESULTS AND CONCLUSIONS

The data collection process for this study involved the utilization of an online survey platform, specifically Qualtrics (refer to Appendix A for the survey preview), to gather responses from participants. Subsequently, the collected data was analyzed using Microsoft Excel and SPSS Statistics software. Prior to analysis, a thorough review of the dataset was conducted to ensure data completeness, resulting in a final sample size of 200 respondents. In terms of the demographic distribution within the sample, 60.5% of respondents identified as female, while 39.5% identified as male. The generational breakdown showed that 45% of respondents belonged to Generation Z, 34.5% were classified as Millennials, and 20.5% represented Generation X. Geographically, the majority of respondents were from Portugal, accounting for 74.5% of the sample. It is important to note that the nationality of the participants did not have a statistically significant influence on their decision-making processes. Regarding educational attainment, 38.5% of respondents held a bachelor's degree, while 31.5% had a secondary school qualification. Additionally, 27.5% of respondents had obtained a master's degree, and only 2.5% held a PhD. Furthermore, 69.5% of participants reported a household income exceeding €1200.

### 4.1. DEMOGRAPHICS

#### 4.1.1. Gender and Generation

In general, the interpretation of a standard deviation follows the 68/95/99.7 rule, which suggests that a majority of the population falls within one standard deviation of the mean, represented by the range  $[\mu - \sigma ; \mu + \sigma]$  (Chen James, 2023). However, the characteristics of the study population demonstrate a deviation from this expected pattern. Specifically, the analysis reveals that a noticeably higher percentage, 79.5%, of the age distribution between 18 and 41 years old falls within this range.

<b>Distribution</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Variance</b>
Age	29,72	11,32	128,15

Table 2 - Age Distribution pt.1

<b>Distribution</b>	<b>Means</b>	<b>Std. Deviation</b>
Gen Z	21,59	3,19
Millenials	35,28	5,85
Gen X	51,49	4,04

Table 3 - Age Distribution pt.2

After analyzing the survey results, it is apparent that there is a significant disparity between the number of female and male respondents. The majority of respondents were female (60.5%), while men came in second place (39.5%) of the total respondents. Additionally, the study found that Generation Z respondents accounted for the largest proportion of participants (45%), followed by Millennials (34.5%) and Gen Xers (20.5%). Although the majority of respondents were from Portugal, there was no significant difference in consumer behavior among respondents from other countries.

<b>Distribution</b>	<b>N</b>	<b>Percentage</b>
Female	121	60,5%
Male	79	39,5%
<b>Total</b>	<b>200</b>	<b>100%</b>

Table 4 - Gender Distribution

<b>Distribution</b>	<b>N</b>	<b>Percentage</b>
Gen X	41	20,5%
Gen Z	90	45,0%
Millennial	69	34,5%
<b>Total</b>	<b>200</b>	<b>100%</b>

Table 5 - Generation Distribution

#### 4.1.2. Education and Income

The educational background of respondents varied, with a means of 2.01 which translates to 38.5% holding a bachelor's degree, 31.5% with secondary school education, 27.5% with a master's degree, and only 2.5% having a Ph.D. Regarding income, with a means of 3.37, 28% of the respondents earned more than 2000€, followed by 22% who earn between 1600€ and 2000€ and 19.5% between 800€ and 1200€. Moreover, most respondents relied solely on their primary income and did not have a secondary source of income.

<b>Distribution</b>	<b>N</b>	<b>Percentage</b>
Between 1200€ and 1600€	39	19,5%
Between 1600€ and 2000€	44	22,0%
Between 800 and 1200€	39	19,5%
Less than 800€	22	11%
More than 2000€	56	28,0%
<b>Total</b>	<b>200</b>	<b>100%</b>

Table 6 - Education Distribution

<b>Distribution</b>	<b>N</b>	<b>Percentage</b>
Bachelors Degree	77	38,5%
Masters Degree	55	27,5%
PhD	5	2,5%
Secondary School	63	31,5%
<b>Total</b>	<b>200</b>	<b>100%</b>

Table 7 - Household Income Distribution

#### 4.2. FACTORS THAT INFLUENCE PURCHASING DECISIONS

Respondents exhibited significant interest in avoiding brands that employ child or underage labor in their means of production, with 40.5% acknowledging it as a crucial factor. Moreover, the brand's regard for all ethnicities was also identified as an important factor, with 40.5% of respondents considering it very important while making their purchasing decisions. Lastly, the results demonstrated that the most substantial factor was the price, with 45.5% of participants indicating its significance. The table above displays the means for each factor, with values ranging from 1 to 5. The scale utilized is as follows: 1 represents "Not Important at All," 2 represents "Somewhat Important," 3 represents "Neutral," 4 represents "Important," and 5 represents "Very Important."

<b>Distribution</b>	<b>Brand Values and Morals</b>	<b>Public Recognition</b>	<b>Price</b>	<b>Not using Child Labour</b>	<b>Respect all ethnicities</b>	<b>Sustainable Manufacturing</b>
Means	3,28	2,94	4,14	3,96	3,95	3,63

Table 8 – Factors Means

<b>Distribution</b>	<b>Not using Child Labour</b>	<b>Respect all ethnicities</b>	<b>Sustainable Manufacturing</b>
Not Important at All	2,0%	2,5%	4,5%
Somehow Important	10,0%	9,5%	11,5%
Neutral	18,5%	17,0%	22,5%
Important	29,0%	30,5%	40,0%
Very Important	40,5%	40,5%	21,5%

Table 9 - Factors that influence purchasing decisions pt.1

<b>Distribution</b>	<b>Brand Values and Morals</b>	<b>Public Recognition</b>	<b>Price</b>
Not Important at All	5,5%	13,0%	1,5%
Somehow Important	25,5%	23,0%	10,0%
Neutral	15,0%	27,0%	7,5%
Important	43,0%	31,0%	35,5%
Very Important	11,0%	6,0%	45,5%

Table 10 - Factors that influence purchasing decisions pt.2

### 4.3. CASE STUDIES

Interestingly, customer reactions appear to differ depending on the type of scandal in question. For instance, within the ethnicity issue, particularly with regards to Pepsi, customers show less concern towards the scandals that the company has faced or is facing, as they do not significantly affect them or are not considered noteworthy, adding the fact that this was a one-time commercial. On the other hand, in regard to production conduct, like Nestlé, individuals seem to place greater emphasis on ethical concerns regarding the products they consume. It is worth noting that a significant proportion of respondents stated that they were completely unaware of Nestlé's involvement in scandals related to child labor.

### 4.3.1. Nestlé VS Child Labour

In testing the initial hypothesis of this research, the investigation centered on examining the impact of customer awareness concerning specific brand scandals on customer loyalty. The focus was specifically on Nestle's involvement in child labor practices. Analysis of the collected survey responses unveiled significant insights. A substantial portion of the respondents (39.5%) explicitly stated their lack of awareness regarding this particular situation. Furthermore, among those previously uninformed, a notable percentage (16%) expressed that this newfound knowledge would significantly influence their future purchasing decisions. Based on the findings derived from this study's sample, it can be concluded that the hypothesis is supported, affirming that scandals indeed have a detrimental impact on customer loyalty.

Another noteworthy finding arising from this research segment relates to the emotional reactions of consumers upon learning about the Nestle scandal. The analysis revealed a substantial proportion of respondents experiencing feelings of sadness, with 66% indicating they felt either sad or very sad. Likewise, when queried about the emotion of disgust, 63% of respondents expressed feeling disgusted. Surprisingly, only 39% of respondents reported feeling surprised by the situation, suggesting a lower level of unexpectedness. Additionally, a mere 18% of respondents reported feeling neutral towards the scandal.

**H1: Public scandals have a negative influence on customers' loyalty**

<b>Distribution</b>	<b>Did you know about this situation?</b>	<b>Is this information important for your purchasing decisions?</b>
Means	2,47	3,44

Table 11 – Knowledge Means – Nestlé

Did you know about this situation?	Is this information important for your purchasing decision?				
	Not Important at All	Somehow Important	Neutral	Important	Very Important
Definitely not	2,5%	7,5%	4,0%	16,0%	9,5%
Probably not	2,5%	4,0%	3,0%	6,0%	2,0%
Might or might not	2,0%	1,0%	4,5%	4,5%	0,5%
Probably yes	3,0%	0,5%	3,0%	5,5%	5,0%
Definitely yes	1,0%	2,0%	1,5%	3,5%	5,5%

Table 12 - Knowledge about the case – Nestlé

Distribution	Sad	Disgusted	Surprised	Neutral
Means	3,32	3,28	3,02	2,84

Table 13 – Feelings Means - Nestlé

Distribution	Sad	Disgusted	Surprised	Neutral
1 = not at all	4%	10%	24%	45%
2	11%	13%	18%	19%
3	20%	16%	20%	20%
4	31%	29%	19%	11%
5 = very much	35%	34%	21%	7%

Table 14 - Distribution of feelings – Nestlé

The examination of generational responses in this study yielded intriguing insights. It was observed that all generations had a shared recognition of the importance of being informed about the Nestle scandal in shaping their future purchasing decisions. Notably, millennials exhibited a nuanced response, diverging between perceiving it as "Important" (9.5%) and "Very Important" (9.5%). This

distinction can be attributed to millennials being more likely to have children in their households, fostering a heightened sense of attachment and concern toward this specific issue. Despite the initial trend suggesting that Millennials and Gen Z respondents prioritize the matter to a greater extent, the statistical analysis using ANOVA revealed that the influence of generation on consumer behavior was not statistically significant.

**H2:** The age of a customer will moderate the effect on their loyalty

Is this information important for your purchasing decision?						
Generation	Not Important at	Somehow	Neutral	Important	Very	Important
	All	Important				
Gen Z	3,0%	7,5%	6,0%	18,0%	10,5%	
Millennial	5,0%	5,0%	5,5%	9,5%	9,5%	
Gen X	3,0%	2,5%	4,5%	8,0%	2,5%	

Table 15 - Distribution of generations – Nestlé

Generation	Mean Square	F	Sig.
Between Groups	1,933	1,156	0,317
Within Groups	1,672		

Table 16 - Significance of generations – Nestlé

Upon examining the data related to the third hypothesis of this research, at a first glance, noteworthy patterns become apparent. Specifically, it becomes evident that households with a monthly income exceeding 2000€ attribute a higher level of importance to the Nestle scandal in shaping their future purchasing decisions, as indicated by 11% of the respondents. Nevertheless, this finding cannot support the hypothesis that individuals with higher disposable incomes tend to demonstrate a heightened sensitivity towards reputational scandals, as the ANOVA analysis states that the nuances are not statistically significant. Consumers are mostly inclined to avoid associations with

brands that are perceived to be incongruent with their ethical standards, and the observed relationship between disposable income and the significance attributed to reputational scandals still contributes to a deeper comprehension of consumer behavior.

**H3:** The disposable income of a customer has a negative influence

Household Income	Is this information important for your purchasing decision?				
	Not Important at All	Somehow Important	Neutral	Important	Very Important
Less than 800€	0,0%	2,5%	1,0%	4,5%	3,0%
Between 800 and 1200€	2,0%	2,0%	1,0%	7,0%	7,5%
Between 1200€ and 1600€	2,5%	1,0%	5,0%	7,0%	4,0%
Between 1600€ and 2000€	2,5%	4,5%	4,0%	6,0%	5,0%
More than 2000€	4,0%	5,0%	5,0%	11,0%	3,0%

Table 17 - Distribution of income – Nestlé

Household Income	Mean Square	F	Sig.
Between Groups	3,491	2,132	0,078
Within Groups	1,638		

Table 18 - Significance of income – Nestlé

Upon analyzing the data regarding the frequency of Nestlé purchases among the respondents, intriguing insights emerge. It is noteworthy that individuals who indicated rarely or sometimes purchasing from Nestlé demonstrated a significant level of importance assigned to the Nestlé scandal in their future purchasing decisions, with proportions of 13.5% and 12.5% respectively. In contrast, respondents who reported frequent Nestlé purchases also acknowledged the significance of this

information in their future buying choices, albeit to a lesser extent, with a proportion of 7%. Consequently, the findings of this study do not support the validation of the fourth hypothesis within the specific context examined. The observed variation in the importance attributed to the scandal across different purchase frequencies offers valuable insights into the nuanced perspectives and decision-making dynamics of consumers.

**H4:** Being a long-term customer has a positive influence on loyalty

How often do you buy from Nestlé?	Is this information important for your purchasing decision?				
	Not Important at All	Somehow Important	Neutral	Important	Very Important
Never	2,0%	1,0%	1,0%	2,0%	6,5%
Rarely	1,0%	5,0%	4,0%	13,5%	9,0%
Sometimes	4,0%	5,0%	7,0%	12,5%	5,0%
Often	3,5%	3,5%	3,5%	7,0%	1,0%
Always	0,5%	0,5%	0,5%	0,5%	1,0%

Table 19 - Distribution of frequency – Nestlé

**4.3.2. Pepsi VS Black Lives Matter**

Upon examination of the case involving Pepsi, the research findings unveil that a majority of consumers exhibited a lack of awareness regarding the specific commercial under scrutiny, accounting for a proportion of 35%. Among those who were aware, 15.5% acknowledged that it would indeed influence their future purchasing decisions. Interestingly, respondents who claimed to possess comprehensive knowledge of the case (19%) reported that it held no significance whatsoever for their next purchase (6.5%).

Furthermore, the sample study shed light on the diverse emotional responses of consumers. Only 39% of respondents expressed feelings of sadness, while 38% reported experiencing disgust. Surprisingly, 54% of respondents stated that they were not surprised by the scandal, indicating a lower level of unexpectedness. Moreover, a mere 25% of respondents expressed feeling neutral toward the incident.

**H1: Public scandals have a negative influence on customers' loyalty**

<b>Distribution</b>	<b>Did you know about this situation?</b>	<b>Is this information important for your purchasing decisions?</b>
Means	2,67	2,99

Table 20 – Knowledge Means – Pepsi

<b>Did you know about this situation?</b>	<b>Is this information important for your purchasing decision?</b>				
	<b>Not Important at All</b>	<b>Somehow Important</b>	<b>Neutral</b>	<b>Important</b>	<b>Very Important</b>
Definitely not	7,5%	6,5%	5,5%	8,0%	7,5%
Probably not	1,5%	2,0%	6,0%	5,0%	1,5%
Might or might not	4,5%	2,5%	4,5%	3,0%	1,0%
Probably yes	3,0%	2,0%	2,0%	4,5%	3,0%
Definitely yes	6,5%	1,5%	2,5%	4,0%	4,5%

Table 21 - Knowledge distribution – Pepsi

<b>Distribution</b>	<b>Sad</b>	<b>Disgusted</b>	<b>Surprised</b>	<b>Neutral</b>
Means	3,10	3,15	2,87	2,98

Table 22 – Feelings Means – Pepsi

<b>Distribution</b>	<b>Sad</b>	<b>Disgusted</b>	<b>Surprised</b>	<b>Neutral</b>
1 = not at all	18%	26%	34%	28%
2	15%	13%	21%	18%
3	29%	24%	22%	30%
4	22%	20%	13%	16%
5 = very much	17%	18%	12%	9%

Table 23 - Distribution of feelings – Pepsi

Upon analyzing the responses from individuals of different generations regarding the significance of the Pepsi scandal for their future purchases, intriguing trends come to light. Among respondents from Generation Z, a division of viewpoints becomes apparent, with 10% stating that the scandal holds no importance and an equal proportion of 10% indicating its significance. Interestingly, Millennials do not appear to exhibit substantial concern about this scandal as well, as 9.5% of them asserted that it is not important at all for their future purchases. Surprisingly, the older generation, Gen X, demonstrated a higher level of consideration for the matter, with 6.5% acknowledging the importance of the scandal in their next purchase decision. However, after performing an ANOVA analysis the results are very dissimilar, indicating that belonging to different generations has no statistical significance in the decision-making process. Despite this, it is crucial to acknowledge that these results cannot be generalized to the entire generation, given the limited sample size and the specific cultural and value contexts of the respondents, predominantly hailing from Portugal. Nonetheless, these findings offer intriguing insights into the diverse perspectives and priorities of different generations, underscoring the necessity for further research in varied contexts to derive more comprehensive conclusions.

**H2:** The age of a customer will moderate the effect on their loyalty

<b>Is this information important for your purchasing decision?</b>						
<b>Generation</b>	<b>Not Important at All</b>	<b>Somehow Important</b>	<b>Neutral</b>	<b>Important</b>	<b>Very Important</b>	
Gen Z	10,0%	8,0%	9,0%	10,0%	8,0%	
Millennial	9,5%	4,0%	7,0%	8,0%	6,0%	
Gen X	3,5%	2,5%	4,5%	6,5%	3,5%	

Table 24 - Distribution of generations – Pepsi

<b>Generation</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Between Groups	1,12	0,552	0,577
Within Groups	2,029		

Table 25 - Significance of generations – Pepsi

In stark contrast to the findings related to Nestlé's case, the response patterns observed in the context of Pepsi present a striking distinction. Consumers with higher household incomes tend to assert that the scandal will hold no importance whatsoever for their future purchases (9.5%). On the other hand, individuals with lower disposable incomes tend to express a more neutral stance (3%). However, it is important to note that the observed differences in the levels of importance within this income bracket do not reach statistical significance, so the hypothesis cannot be supported. Intriguingly, individuals with household incomes ranging from 800€ to 2000€ exhibit similar opinions, indicating that this information will indeed play a significant role in shaping their future purchasing decisions.

**H3:** The disposable income of a customer has a negative influence

Household Income	Is this information important for your purchasing decision?				
	Not Important at All	Somehow Important	Neutral	Important	Very Important
Less than 800€	1,5%	2,0%	3,0%	2,0%	2,5%
Between 800 and 1200€	4,5%	2,5%	4,0%	5,0%	3,5%
Between 1200€ and 1600€	4,5%	1,0%	3,5%	6,5%	4,0%
Between 1600€ and 2000€	3,0%	3,0%	5,0%	6,5%	4,5%
More than 2000€	9,5%	6,0%	5,0%	4,5%	3,0%

Table 26 - Distribution of income – Pepsi

Household Income	Mean Square	F	Sig.
Between Groups	1,12	0,552	0,577
Within Groups	1,95		

Table 27 - Significance of income – Pepsi

Based on the analysis of the data pertaining to the final hypothesis, a significant finding emerges regarding the interplay between customer loyalty and the perceived significance of the Pepsi scandal. Notably, respondents who do not purchase from Pepsi (35.5%) indicate that this information holds substantial influence over their future purchase decisions. This finding provides empirical support for the hypothesis that longstanding customers demonstrate a stronger sense of loyalty, as those who are not already customers are more inclined to maintain their decision to abstain from purchasing from the brand. Conversely, individuals who frequently engage in purchases from Pepsi

(6%) express that this information will not have a significant impact on their future purchases or regard it as of neutral importance.

The findings suggest that non-customers, who may be more attuned to reputational concerns, attribute great significance to the disclosed scandal. Conversely, frequent customers, guided by their existing loyalty, exhibit diminished concern or neutrality toward the scandal's influence on their future purchasing decisions.

**H4: Being a long-term customer has a positive influence on loyalty**

How often do you buy from Pepsi?	Is this information important for your purchasing decision?				
	Not Important at All	Somehow Important	Neutral	Important	Very Important
Never	6,5%	5,0%	6,0%	8,0%	10,0%
Rarely	7,5%	4,0%	7,5%	9,0%	5,0%
Sometimes	6,5%	3,5%	4,5%	6,0%	2,0%
Often	2,0%	2,0%	2,0%	1,5%	0,5%
Always	0,5%	0,0%	0,5%	0,0%	0,0%

Table 28 - Distribution of frequency – Pepsi

**4.3.3. Zara VS Textile Waste**

When examining the case of Zara, the analysis of the data uncovers similar proportions of respondents who potentially possessed knowledge about the issue of textile waste and those who were unaware (23%; 25.5%). Notably, among those who indicated being unaware of the situation, a significant subset emphasized that this information would wield a pivotal role in their future purchasing decisions (9.5%). Likewise, respondents who explicitly acknowledged their familiarity with Zara's textile waste problem affirmed its high importance when considering their next purchase (6%).

Furthermore, delving into the emotional responses of the respondents contributes to a deeper comprehension of their perspectives. Around 52% of the participants expressed feelings of sadness, signifying a level of concern regarding the issue. However, a notable segment of 40% did not manifest feelings of disgust towards Zara's production practices. Moreover, over half of the respondents, corresponding to 51%, asserted that they were unsurprised by the presence of textile waste, while 54% conveyed that they did not experience neutrality towards the matter.

**H1: Public scandals have a negative influence on customers' loyalty**

<b>Distribution</b>	<b>Did you know about this situation?</b>	<b>Is this information important for your purchasing decisions?</b>
Means	2,88	3,26

Table 29 – Knowledge Means – Zara

<b>Did you know about this situation?</b>	<b>Is this information important for your purchasing decision?</b>				
	<b>Not Important at All</b>	<b>Somehow Important</b>	<b>Neutral</b>	<b>Important</b>	<b>Very Important</b>
Definitely not	2,5%	3,0%	5,0%	9,5%	5,5%
Probably not	2,0%	5,5%	3,5%	3,5%	2,0%
Might or might not	0,5%	4,5%	5,0%	6,5%	2,5%
Probably yes	4,5%	4,0%	2,5%	9,0%	3,0%
Definitely yes	3,5%	0,5%	2,5%	3,5%	6,0%

Table 30 - Knowledge distribution – Zara

<b>Distribution</b>	<b>Sad</b>	<b>Disgusted</b>	<b>Surprised</b>	<b>Neutral</b>
Means	3,10	3,18	2,94	2,85

Table 31 – Feelings Means – Zara

<b>Distribution</b>	<b>Sad</b>	<b>Disgusted</b>	<b>Surprised</b>	<b>Neutral</b>
1 = not at all	7%	29%	32%	32%
2	19%	11%	20%	22%
3	23%	22%	22%	27%
4	25%	21%	16%	13%
5 = very much	27%	18%	11%	7%

Table 32 - Distribution of feelings – Zara

The research findings reveal distinct disparities in the levels of apprehension concerning Zara's textile waste issue among different generational cohorts. Notably, the younger generation, Gen Z, emerges as notably invested in this sustainability concern, with a substantial proportion of 24.5% of respondents affirming that this information will exert a significant influence on their forthcoming purchase decisions. Likewise, Millennials also demonstrate a high degree of concern, as 8.5% of respondents assert that this scandal will considerably impact their buying behavior. Moreover, Gen X follows the same trend, with 6% stating that it will influence their decision-making process. Once again the ANOVA analysis proves that the hypothesis cannot be supported given the statistical insignificance of generation in the decision-making process, even if at eye level there might be generational patterns.

**H2:** The age of a customer will moderate the effect on their loyalty

<b>Is this information important for your purchasing decision?</b>					
<b>Generation</b>	<b>Not Important at All</b>	<b>Somehow Important</b>	<b>Neutral</b>	<b>Important</b>	<b>Very Important</b>
Gen Z	6,0%	7,0%	7,5%	17,5%	7,0%
Millennial	5,5%	5,5%	6,5%	8,5%	8,5%
Gen X	1,5%	5,0%	4,5%	6,0%	3,5%

Table 33 - Distribution of generations – Zara

<b>Generation</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Between Groups	0,017	0,01	0,99
Within Groups	1,731		

Table 34 - Significance of generations – Zara

The analysis of the data lends support to the hypothesis that higher household income has a negative influence on the purchasing decision in relation to Zara's textile waste issue. The findings indicate that 10.5% of respondents with a household income exceeding 2000€ assert that being aware of this textile waste will significantly impact their future purchase decisions. This suggests that individuals with higher income levels may exhibit a heightened awareness of the alignment between their personal values and the brands they choose to associate with. Interestingly, the importance assigned to this information is shared across all income brackets, suggesting that consumers from various income levels recognize the significance of being informed about Zara's production practices, that is also supported by the ANOVA analysis that states that the income brackets are not statistically significant for the consumer behavior.

**H3:** The disposable income of a customer has a negative influence

Household Income	Is this information important for your purchasing decision?				
	Not Important at All	Somehow Important	Neutral	Important	Very Important
Less than 800€	1,0%	1,0%	1,5%	4,0%	3,5%
Between 800 and 1200€	2,5%	2,0%	3,0%	6,0%	6,0%
Between 1200€ and 1600€	4,5%	3,5%	3,0%	5,0%	3,5%
Between 1600€ and 2000€	2,0%	4,0%	6,0%	6,5%	3,5%
More than 2000€	3,0%	7,0%	5,0%	10,5%	2,5%

Table 35 - Distribution of income – Zara

Household Income	Mean Square	F	Sig.
Between Groups	3,306	1,967	0,101
Within Groups	1,681		

Table 36 - Significance of income – Zara

Although the observed differences do not reach statistical significance, it is important to highlight that respondents who consistently purchase from Zara expressed a lack of importance regarding the information on textile waste for their future purchases. However, when examining larger proportions, it becomes evident that respondents who occasionally buy from Zara hold diverse opinions. Some consider this information to be somewhat important (7%), while others remain neutral (7%), and a portion perceives it as important (7%). Conversely, respondents who rarely purchase from Zara, indicating a lack of established customer loyalty, assert that this information will be important for their potential future purchases (9.5%).

These findings suggest that the level of customer loyalty and frequency of engagement with the brand may influence the perceived importance of the textile waste issue. Respondents who frequently purchase from Zara may have developed a stronger connection or affinity towards the brand, potentially downplaying the significance of the issue in their decision-making process. In contrast, those with infrequent or no prior purchasing experiences with Zara may be more receptive to considering sustainability concerns when making future purchasing decisions.

**H4:** Being a long-term customer has a positive influence loyalty

How often do you buy from Zara?	Is this information important for your purchasing decision?				
	Not Important at All	Somehow Important	Neutral	Important	Very Important
Never	1,5%	0,5%	2,0%	9,0%	7,0%
Rarely	3,0%	4,0%	5,0%	9,5%	6,5%
Sometimes	3,5%	7,0%	7,0%	7,0%	3,0%
Often	3,5%	5,0%	3,5%	5,5%	1,5%
Always	1,5%	1,0%	1,0%	1,0%	1,0%

Table 37 - Distribution of frequency – Zara

#### 4.4. HYPOTHESIS AND CONCLUSIONS

Hypothesis	Final Conclusion
<b>H1:</b> Public scandals have a negative influence on customers' loyalty. Public scandals can lead to loss of trust and prompt customers to seek alternatives, thereby reducing customer loyalty.	The research has sustained this hypothesis. In all three cases, the respondents concisely indicated that knowing about this scandal will change their purchasing decision in the future.

<p><b>H2:</b> The age of a customer will moderate the effect on their loyalty towards a crisis-facing brand. Customers who are younger tend to exhibit heightened levels of awareness, resulting in swift and decisive reactions.</p>	<p>Data indicated that the younger generation's level of concern varied across different categories and scandals associated with brands. Furthermore, the ANOVA analysis showed that being from a different generation was not statistically significant on the decision-making process. Additional research encompassing a larger and more diverse sample is required to establish conclusive findings.</p>
<p><b>H3:</b> The disposable income of a customer has a negative influence on their decision towards a crisis-facing brand. As a customer's wealth increases, their inclination to patronize brands that align with their moral values and social standing also tends to rise.</p>	<p>The eye level results indicated a positive relationship between higher household disposable income and the perceived importance of ethical issues associated with brands, but when examining the statistical significance this hypothesis is not supported by the research.</p>
<p><b>H4:</b> Being a long-term customer has a positive influence on customer loyalty. Establishing a long-standing relationship with a brand and gaining insight into its values and operations can make it challenging for a customer to withdraw their loyalty from the brand.</p>	<p>The analysis of the data unveiled a notable pattern among respondents who reported sporadic or occasional purchases from a specific brand. These individuals, who do not have a strong affiliation or established customer loyalty with the brand, expressed a heightened level of significance assigned to the ethical issues associated with it. Although this finding is not conclusive, it implies that these consumers are more inclined to consider these issues as critical factors when making their</p>

	<p>purchase decisions, especially when deliberating on whether to continue supporting the brand in the future. Further research on loyal customers of specific brands should be done in order to study customer loyalty with more accuracy.</p>
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Table 38 - Hypothesis and Conclusions

## 5. CONCLUSIONS

The research conducted in this study has made significant contributions to our understanding of consumer behavior, particularly in relation to their reactions following reputational crises in various industry sectors. This contribution is particularly valuable as previous studies addressing consumer sentiment in the aftermath of such crises have been limited. The findings have highlighted the differences observed across industries, with the case of Pepsi standing out as distinct from the cases of Nestlé and Zara. These variations can be attributed to the unique nature of each scandal, such as the one-time commercial and subsequent removal in the case of Pepsi, as opposed to the production practices and civil rights issues associated with Nestlé and Zara, respectively.

The research findings provide support for some of the hypotheses and ideas proposed in this study, offering insights into the relationship between brand scandals and customer behavior. The first hypothesis, which examines the influence of scandals on customer behavior, is corroborated by the findings. Respondents acknowledged that their knowledge of the scandals would impact their future purchasing decisions, with varying degrees of importance across the three brands (Nestlé: 35.5%; Pepsi: 24.5%; Zara: 32%). The second hypothesis, which explores the impact of age on purchasing decisions, does not receive support from the data. While there are indications that younger consumers may exhibit greater concern about ethical issues, statistical analysis proves otherwise, in this specific sample. The third hypothesis, which examines the association between higher income and the significance attributed to ethical issues, finds eye-level support in the cases of Nestlé (14%) and Zara (13%). However, it is important to note that the ANOVA analysis showed no significance towards income brackets being a factor on the decision-making process. The fourth hypothesis, which investigates the impact of long-term customer status on loyalty, receives partial confirmation due to the lack of statistically significant data for long-term customers. Conducting focused research specifically targeting this customer segment is necessary to gain deeper insights into their behaviors and attitudes towards brand scandals.

The diverse results obtained across the different industries emphasize the importance of considering the specific context and characteristics of each case. These findings serve as a foundation for further exploration into the underlying factors that contribute to the varying consumer responses observed. By delving deeper into these nuances, future research endeavors should expand beyond the analysis of profit and loss (P&L) considerations and delve into the realm of stakeholder dynamics, specifically examining how various stakeholders, such as investors and financial institutions, respond to brands undergoing public scandals and crises. Understanding the attitudes, perceptions, and behavioral patterns of these stakeholders during such critical events can provide valuable insights into the broader implications and consequences for brands.

## 6. LIMITATIONS AND RECOMMENDATIONS FOR FUTURE WORKS

Conducting research in a specific field can present several challenges, especially when data availability is limited. This research encountered three noteworthy categories of limitations that deserve recognition and should be taken into account for future inquiries:

1. **Methodological and sample limitations:** Methodological limitations stem from the particular research design and methodologies employed in the study. For instance, the data collection process relied on self-report measures, which could be prone to response biases or memory recall inaccuracies. There are limitations due to the significant diversity among customers, even within the same age, gender, or socioeconomic group. As a result, it is difficult to identify behavioral patterns and draw definitive conclusions about what factors drive customer churn or how they respond to reputational crises. Furthermore, the utilization of cross-sectional data limits the ability to establish causality or capture temporal fluctuations over time. As a result, future research endeavors could gain from utilizing alternative research designs, such as longitudinal studies or experimental approaches, to enhance the validity and reliability of the findings.
2. **Hypothesis formulation:** Experiencing a scandal firsthand can result in a considerable decrease in customer loyalty. When customers suffer harm or perceive a breach of trust by a company, their trust in the brand is undermined, which can lead to reduced loyalty and even boycotts such as cancel culture. The consequences of such reactions can include revenue loss and reputational damage, requiring significant resources and time to repair. Customers who feel personally impacted by a scandal can be less loyal to the brand. Thus, companies need to take a proactive approach in addressing scandals and addressing the concerns of affected customers to mitigate the negative effects on loyalty. This can involve prompt and transparent communication, compensation for damages or losses, and modifications to policies or processes to prevent similar incidents from recurring. By doing so, companies can not only

retain the loyalty of impacted customers but also demonstrate their commitment to ethical and responsible business practices, leading to enhanced loyalty among their broader customer base. For example, to investigate if a particular scandal causes the loss of customer loyalty, conducting group interviews with individuals from a specific ethnic group may be necessary, as demonstrated in the case of the Pepsi vs. Black Lives Matter controversy. In such cases, it may be essential to solely target the specific ethnic group to gather relevant insights, like interviewing exclusively members of the black community, using focus groups (Morgan, 1996) to determine if they lost loyalty towards Pepsi. However, these data collection efforts cannot be achieved through a survey, underscoring the difficulties of obtaining data on sensitive issues using conventional research methods.

*H5: Being directly affected by a scandal has a negative influence on customer loyalty. In the event that a brand's decision is perceived by customers as a personal affront, their allegiance to the brand is more likely to diminish.*

- 3. Beyond P&L Impact:** This research focused only on implications to the customers. There is still a gap in implications for stakeholders, banks, and investors, as reputational scandals can harm a brand's credibility and potentially exclude it from ESG portfolios and other businesses. Investigating stakeholder reactions in the context of reputational crises can shed light on how financial institutions, such as banks, assess and manage the associated risks. This research could explore how banks evaluate the creditworthiness and financial stability of brands embroiled in public scandals, as well as the subsequent impact on loan agreements, investment decisions, and stock performance. Additionally, examining the behavior of investors during such crises could provide insights into their risk tolerance, divestment strategies, and preferences for socially responsible investments. Future research can contribute to the theoretical and practical knowledge in the field of corporate reputation, crisis management, and stakeholder theory, facilitating the development of more effective strategies for brands to navigate and recover from reputational challenges.

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## APPENDIX A – SURVEY



English 

As part of my Master's thesis, I am conducting a survey to better understand consumer attitudes and behaviors towards crisis-facing brands.

The purpose of this study is to gain insight into the factors that influence consumer decision-making when their brands of choice go through a public scandal or controversy. Your participation in this study is greatly appreciated.

The survey will take approximately 5 minutes to complete, and all responses will be kept confidential. Your feedback will be used solely for academic research purposes and will not be used for any other commercial purposes.

Before we begin, we need your consent to participate in this study. Please indicate your agreement by selecting an option below.

I agree to participate

I do not agree to participate

In this section you will be given a scale to measure how important different factors are for you, when purchasing from a brand

When buying from a brand, how much these factors weight on your decision?

	Not Important At All	Somehow Important	Neutral	Important	Very Important
Brand Values and Morals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public Recognition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

To what extent are these factors important to you when buying from a brand?

	Not Important At All	Somehow Important	Neutral	Important	Very Important
The brand does not use child labour	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand shows respect to all ethnicities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand uses sustainable manufacturing practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

With what frequency do you purchase from these brands?

	Never	Rarely	Sometimes	Often	Always
Nestlé	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pepsi	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Zara	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

#### Case 1 - Nestle vs Child Labour

Children, often as young as six years old, are forced to work in hazardous conditions on cocoa farms, performing physically demanding tasks like harvesting, carrying heavy loads, and using sharp tools. Nestlé has been accused of using child labor in its cocoa supply chain, particularly in West Africa. Although the company has established its own Child Labor Monitoring and Remediation System (CLMRS), this does not prevent them from being a 100% child labour free company.

Nestlé is the owner of multiple brands, that often people don't know about, such as:

- Purina (animal food)
- Maggi (soups and seasoning)
- Nescafé (coffee)
- Nespresso (coffee)
- Perrier (water)
- S.Pellegrino (water)

How did this scandal make you feel?

	1 = not at all	2	3	4	5 = very much
Sad	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Disgusted	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Surprised	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Neutral	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Did you already had knowledge about this case?

Definitely not	Probably not	Might or might not	Probably yes	Definitely yes
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Now that you know of this situation, is this information important for your purchasing decisions?

Not Important at All	Somehow Important	Neutral	Important	Very Important
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### Case 2 - Pepsi vs Black Lives Matter

In 2017, Pepsi released an advertisement featuring Kendall Jenner. The ad depicted Jenner walking up to a police officer during a protest and offering him a can of Pepsi, in what many saw as a response to a viral photo of Ieshia Evans confronting police during a riot in Baton Rouge. The ad was widely criticized for its tone-deaf message of "All Lives Matter" which was seen as disrespectful and dismissive of the "Black Lives Matter" movement. As a result, Pepsi faced swift backlash and accusations of racism, leading to a public apology from the company.

How did this scandal make you feel?

	1 = not at all	2	3	4	5 = very much
Sad	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Disgusted	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Surprised	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Neutral	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Did you already had knowledge about this case?

Definitely not	Probably not	Might or might not	Probably yes	Definitely yes
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Now that you know of this situation, is this information important for your purchasing decisions?

Not Important at All	Somehow Important	Neutral	Important	Very Important
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### Case 3 - Zara VS Textile Waste

Zara has been criticized for its contribution to textile waste, which is a growing environmental concern. The company produces a large volume of clothing each year, much of which is designed to be trendy and disposable, leading to high levels of waste. Zara has been accused of overproduction, and in order to manage this excess inventory, Zara has been accused of burning and destroying unsold clothing rather than recycling or donating it. This practice contributes to textile waste and has raised concerns about the company's commitment to sustainability.

How did this scandal make you feel?

	1 = not at all	2	3	4	5 = very much
Sad	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Disgusted	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Surprised	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Neutral	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Did you already had knowledge about this case?

<input type="radio"/> Definitely not	<input type="radio"/> Probably not	<input type="radio"/> Might or might not	<input type="radio"/> Probably yes	<input type="radio"/> Definitely yes
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Now that you know of this situation, is this information important for your purchasing decisions?

<input type="radio"/> Not Important at All	<input type="radio"/> Somehow Important	<input type="radio"/> Neutral	<input type="radio"/> Important	<input type="radio"/> Very Important
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Please take a moment to answer the following demographic questions to help better understand the audience



What gender do you identify as?

Female

Male

Other

How old are you?

Where are you from?

Portugal

Outside Portugal

What is your education level?

Secondary School

Bachelors Degree

Masters Degree

PhD

What is your household monthly income (net)?

Less than 800€

Between 800 and 1200

Between 1200€ and 1600€

Between 1600€ and 2000€

More than 2000€

Do you have income from sources other than salary?

Yes

No

Thank you for your time and participation in this study.