HOW TO IDENTIFY AND SURVIVE A BRAND CRISIS

Understand how smarter data can help you navigate public scandals

WHAT'S IN THE REPORT

THE MORNING CONSULT BRAND TOOLBOX

This report is part of a series that seeks to give decision-makers a better set of tools for dealing with essential brand decisions - from managing a crisis to deepening consumer loyalty.

To make sure you receive these reports, sign up here (mncnslt.com/sub).

INTRODUCTION

During last year's Super Bowl, Ram released a truck ad featuring Martin Luther King that some observers considered distasteful. Social media exploded with snark and calls for boycott. Countless articles were written with headlines like "Ram Super Bowl ad uses MLK and people are furious." If you read the news or looked at social media, it would be reasonable to assume Ram's brand was in free fall.

Morning Consult dial-tested the ad with a nationally representative sample of Americans and found that a sturdy plurality of consumers liked it. African-Americans liked it best. The word people associated most with the ad was "inspired." Putting aside the validity of the criticisms Ram received, it was clear that the outrage was confined to a specific cross-section of America. Ideally a truck ad isn't going to make anyone mad, but a major brand crisis this was not.

Over the last three years, I have been steeped in this kind of brand-tracking data, pouring over reports of how the world's largest companies are faring with consumers. If I could impress one lesson upon any Chief Communications or Marketing officer, it would be this: Stop relying so heavily on social media to evaluate consumer sentiment, especially in times of crisis.

Social media listening tools offer brands crucial insights, especially into more vocal and active consumers. That's precisely why we built social media listening capacities into our flagship product: Brand Intelligence. But time and again, we have seen that Twitter outrage does not translate to a real change in consumer perceptions. It is brand management malpractice to not invest in more robust analytics.

There's a second lesson here: For all the talk about the centrality of politics in modern consumerism, our survey research work has consistently found these issues remain secondary for the average consumer.* An example from this report: We tested 16 hypothetical brand controversies, and the one that is least likely to bother consumers is a CEO saying something rude about their political group - even though that's the exact kind of story that would drive news cycles.

Elite commentary and conversations on social media are often driven by questions of culture and politics. It's a lot more interesting to dissect than a product recall. In certain instances, these issues can truly impact consumer behavior. However, in general, the people who are highly motivated by them aren't speaking to the day-to-day needs of an average consumer. It is misguided to let them drive your strategy.

I hope you will find this report to be instructive in better understanding what should drive crisis response strategies. There is contact information on the last page if you would like to pass along any comments or questions.

Jeff Cartwright
Vice President, Morning Consult

INTELLIGENT DATA, INTELLIGENT DECISIONS

Morning Consult is a technology company revolutionizing ways to collect, organize, and share survey research data to transform how decisions are made. Our survey research technology produces results at **unprecedented scale, speed, and accuracy**.

OUR FLAGSHIP PRODUCT

Currently tracking over 1,800 brands and products, with 200 interviews per day per brand.
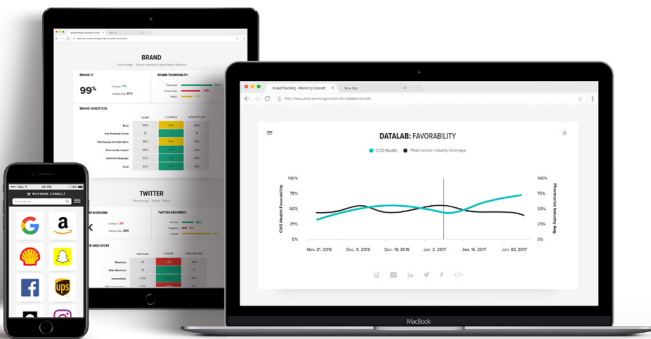
What Consumers THINK
Collecting over 3 million market research invterviews

What Consumers SAY
Evaluating over 100 million social media posts

What Consumers SEE
Analyzing over 85,000 news media outles

MORNING CONSULT Brand Intelligence

REQUEST A DEMO HERE

USE CASES

DAILY MONITORING
Track brand perception in real-time with the Brand Intelligence dashboard in your inbox.

STRATEGIC PLANNING
Identify demographic targets and geographic trends to customize communications & marketing campaigns.

CRISIS RESPONSE
Evaluate the magnitude of a crisis and track the effectiveness of your response.

TRACKING BRANDS IN CRISIS

Three data-driven case studies provide insights into how consumers react when brands are hit with negative news.

Featuring exclusive brand-tracking data on: **Uber** **NFL** **CHIPOTLE MEXICAN GRILL**

Where does this data come from?

Morning Consult Brand Intelligence surveys U.S. adults on over 2,000 brands on a daily basis, tracking a range of subjects including favorability, purchasing consideration, trust, buzz, and more.

How do we define a crisis?

In each of the following case studies, Brand Intelligence registered a particularly large spike in people reporting that they had seen negative news coverage about the company. As the data reveals, negative buzz doesn't always translate to a crisis in consumer perceptions.

How do we evaluate a crisis?

Brands have a wide range of stakeholders to consider when managing a PR crisis. For this study, we primarily focused on general consumer perceptions, looking at how and when bad press can translate to shifts in favorability.

TRACKING BRANDS IN CRISIS

UBER'S ROCKY 2017

WHAT HAPPENED?

In January 2017, the #DeleteUber campaign launched in response to allegations that Uber undercut an NYC Taxi boycott over President Trump's immigration ban. That was the first in a string of high-profile negative stories - from secretly tracking consumers to reports of a culture of sexism - that culminated in the resignation of CEO Travis Kalanick.

WHAT WAS THE FALLOUT?

While no individual scandal led to a sharp drop-off in consumer perceptions, Uber saw a steady, but relatively minor decline in favorability over the course of 2017.

- In the first quarter of 2017, Uber had a net favorability of +27. In quarters two and three, that hovered at +25, and by the fourth quarter it had dropped to +20.

- The individual story that garnered the most negative attention was Kalanick's resignation. In the days following that story, 36% of consumers reported seeing something negative about the brand.

WHERE DO THINGS STAND TODAY?

With a new CEO and ad campaign, perceptions of the brand have largely rebounded.

- Between August and October 2018, Uber's net favorability stood at +26, closer to pre-scandal levels.

- One thing did change: In the two months before #DeleteUber started, Uber maintained a 10 point edge in net favorability over Lyft. Since the #DeleteUber launch, Lyft has frequently outpaced Uber in terms of net favorability. However, Uber continues to have the edge over Lyft when it comes to brand ID and purchasing consideration.

THE BOTTOM LINE

At a crucial moment for its growth, Uber sustained a minor reputational hit that provided an opportunity for competitors. More recent data suggests Uber is poised for recovery.

Favorability over time

— Favorable   — Unfavorable
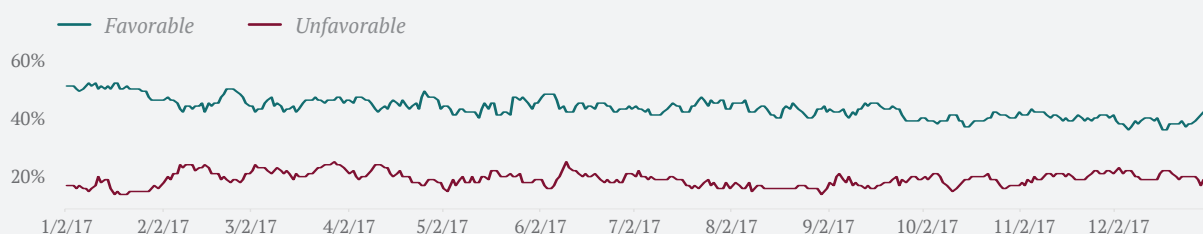
TRACKING BRANDS IN CRISIS

POLITICS CONSUMES THE NFL

WHAT HAPPENED?

In September 2017, President Trump called on owners to fire players who kneel during the national anthem, elevating an already controversial matter to a dominant news story that would continue to make waves over the following year.

WHAT WAS THE FALLOUT?

Going into the 2017-18 NFL season, Democrats and Republicans shared similarly positive views of the league. Almost immediately following Trump's comments, the league became one of *the most polarizing brands* in the country.

- On September 7th 2017, just 8% of Trump voters had a **very** unfavorable view of the league. One month later, that had jumped to 36%.
- The drop-off among Trump voters was not matched by an equal gain among Clinton voters, who's perceptions held steady. As a result, net favorability overall dropped by over 30 points in one month.

WHERE DO THINGS STAND TODAY?

The league remains less popular than before the anthem-kneeling story started.

- In August 2017 the league had a net favorability of +41. In August 2018, nearly a year after the controversy first took hold, that number stood at +20.
- A look into demographic data suggests this drop in popularity is a direct result of politics and the anthem-kneeling debate, as Trump voters remain far more negative concerning the brand than Clinton voters.

THE BOTTOM LINE

The anthem-kneeling debate had a major impact on consumer perceptions and remains a salient issue for Republicans, even as the controversy has begun to die down.

Favorability over time

— Favorable   — Unfavorable

60%
40%
20%

8/1/17   9/1/17   10/1/17   11/1/17   12/1/17   1/1/18   2/1/18   3/1/18   4/1/18   5/1/18   6/1/18   7/1/17
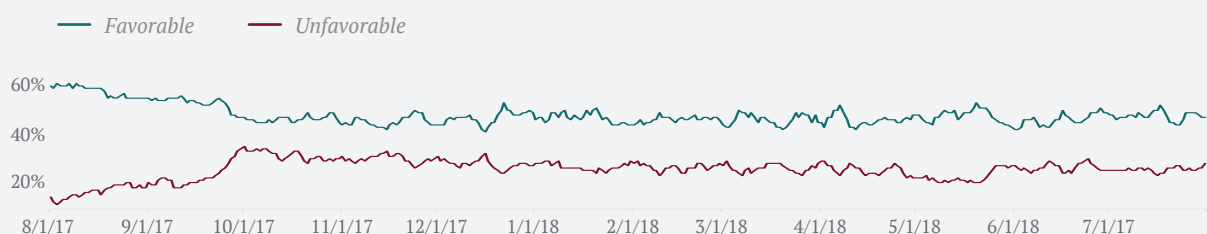
SHOULD BRANDS WEIGH IN ON ANTHEM KNEELING?

This data is drawn from the report:
CSR and Political Activism in the Trump Era.

ACCESS THE FULL REPORT HERE

Overall, 33 percent of consumers are more likely to have a favorable opinion of a brand that advocates for the rights of protestors to kneel during the national anthem and 38 percent said they are less likely. However, as the chart below demonstrates, the reception to brands that take a position varies widely depending on the demographic, with Trump voters having the strongest negative reaction.
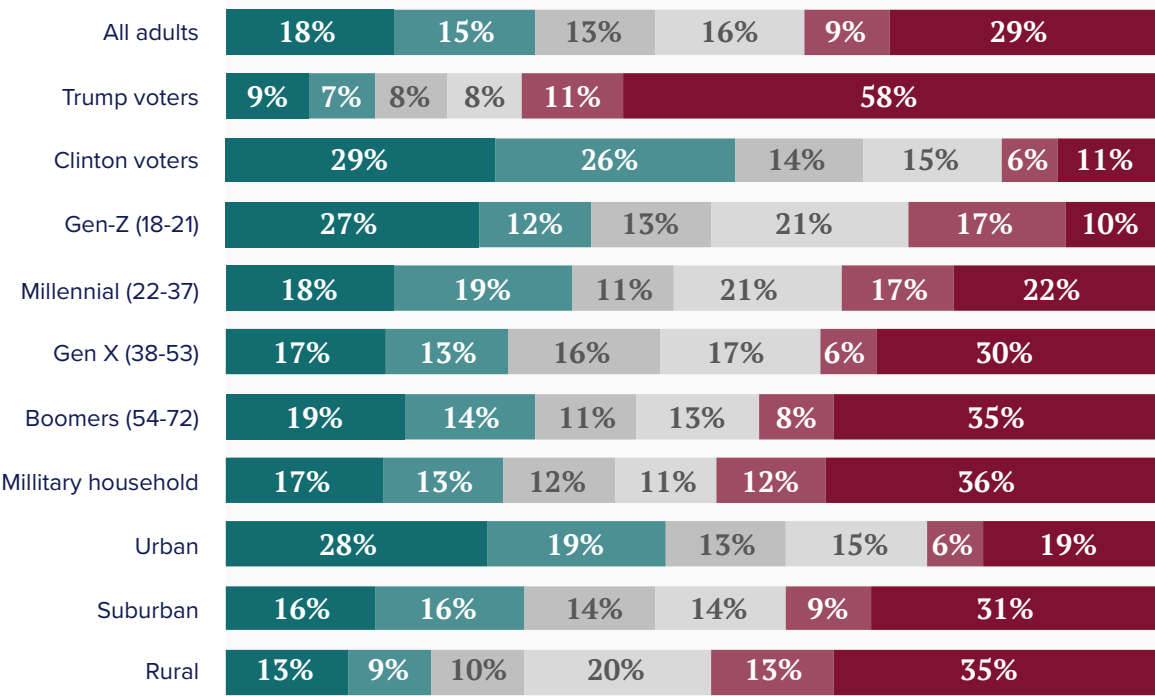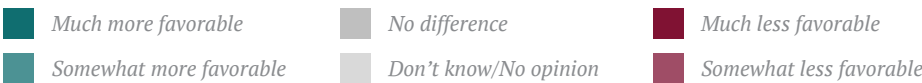
How consumers view brands that advocate for the rights of anthem-kneelers

If you found out a company advocated for the right of protestors to kneel during the national anthem, would it make you be more or less favorable towards the company, or would it make no difference?

Legend:
- Much more favorable
- Somewhat more favorable
- No difference
- Don't know/No opinion
- Much less favorable
- Somewhat less favorable

	Much more favorable	Somewhat more favorable	No difference	Don't know/No opinion	Somewhat less favorable	Much less favorable
All adults	18%	15%	13%	16%	9%	29%
Trump voters	9%	7%	8%	8%	11%	58%
Clinton voters	29%	26%	14%	15%	6%	11%
Gen-Z (18-21)	27%	12%	13%	21%	17%	10%
Millennial (22-37)	18%	19%	11%	21%	17%	22%
Gen X (38-53)	17%	13%	16%	17%	6%	30%
Boomers (54-72)	19%	14%	11%	13%	8%	35%
Military household	17%	13%	12%	11%	12%	36%
Urban	28%	19%	13%	15%	6%	19%
Suburban	16%	16%	14%	14%	9%	31%
Rural	13%	9%	10%	20%	13%	35%

CHIPOTLE'S FOOD SCARE

WHAT HAPPENED?

In July 2017, 135 people became sick from a nurovirus after eating at a Chipotle location in Sterling, Virginia.

WHAT WAS THE FALLOUT?

The news went national and registered as the single buzziest moment for Chipotle in the last two years, with 25% of Americans reporting they had seen something negative about the brand. This had an impact on perceptions as well.

- In the month before news broke, Chipotle's net favorability was +32. In the month following, it dropped to +24.
- The drop-off was particularly pronounced with 18-29 year-olds, the age group with the most favorable impression of Chipotle at the time. Net favorability among 18-29 year-olds dropped from +45 to +34 in the month before and after the news.

WHERE DO THINGS STAND TODAY?

Chipotle's favorability remains lower than pre-outbreak levels, although it is not clear if that is directly attributable to the nurovious story.

- Among all consumers, Chipotle's net favorability stands at +25 over the last three months (August to October 2018). Among 18-29 year-olds, Chipotle's net favorability is +33.
- Nearly half of Americans (49%) say they would consider purchasing from Chipotle - a figure that has held steady since the beginning of 2018.

THE BOTTOM LINE

The norovirus outbreak put a dent in perceptions of Chipotle. Whether or not it's directly tied to that crisis, consumer views have yet to fully rebound.

Favorability over time

— Favorable   — Unfavorable

70%
50%
30%
10%

6/16/17   7/18/17   8/18/17   9/18/17   10/18/17   11/18/18   12/18/18   1/18/18   2/18/18   3/18/18   4/18/18   5/18/18   6/18/18
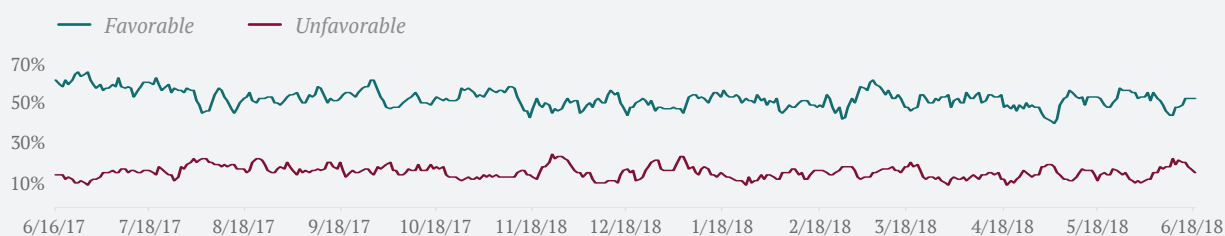
ARE YOU PREPARED FOR A CRISIS?

Morning Consult Brand Intelligence provides a one-stop solution to help brands identify crises, track them over time, and respond with precision.

USE BRAND INTELLIGENCE TO:

Immediately determine the magniture of a crisis

Identify which demographics are most affected

Inform crisis response strategy

Measure effectiveness of response

Discover how brands use Brand Intelligence to manage reputation amid crises.

LEARN MORE

Wired Magazine on Brand Intelligence's Crisis Solutions:

"

Whether it's gauging the public response to a presidential tweet or a self-inflicted wound like Wells Fargo's, experts say this kind of real-time brand tracking has become a necessity. "A tool like this is invaluable in today's climate," says Marlene Towns, a professor of marketing at Georgetown's McDonough School of Business. The social media spin cycle, she says, has dramatically sped up the timeline in which a scandal or public relations misstep can escalate into a full-on boycott. Quarterly brand-tracking reports don't move at the speed of Twitter.

"

CONSUMER VIEWS ON BRAND CRISES

What controversies
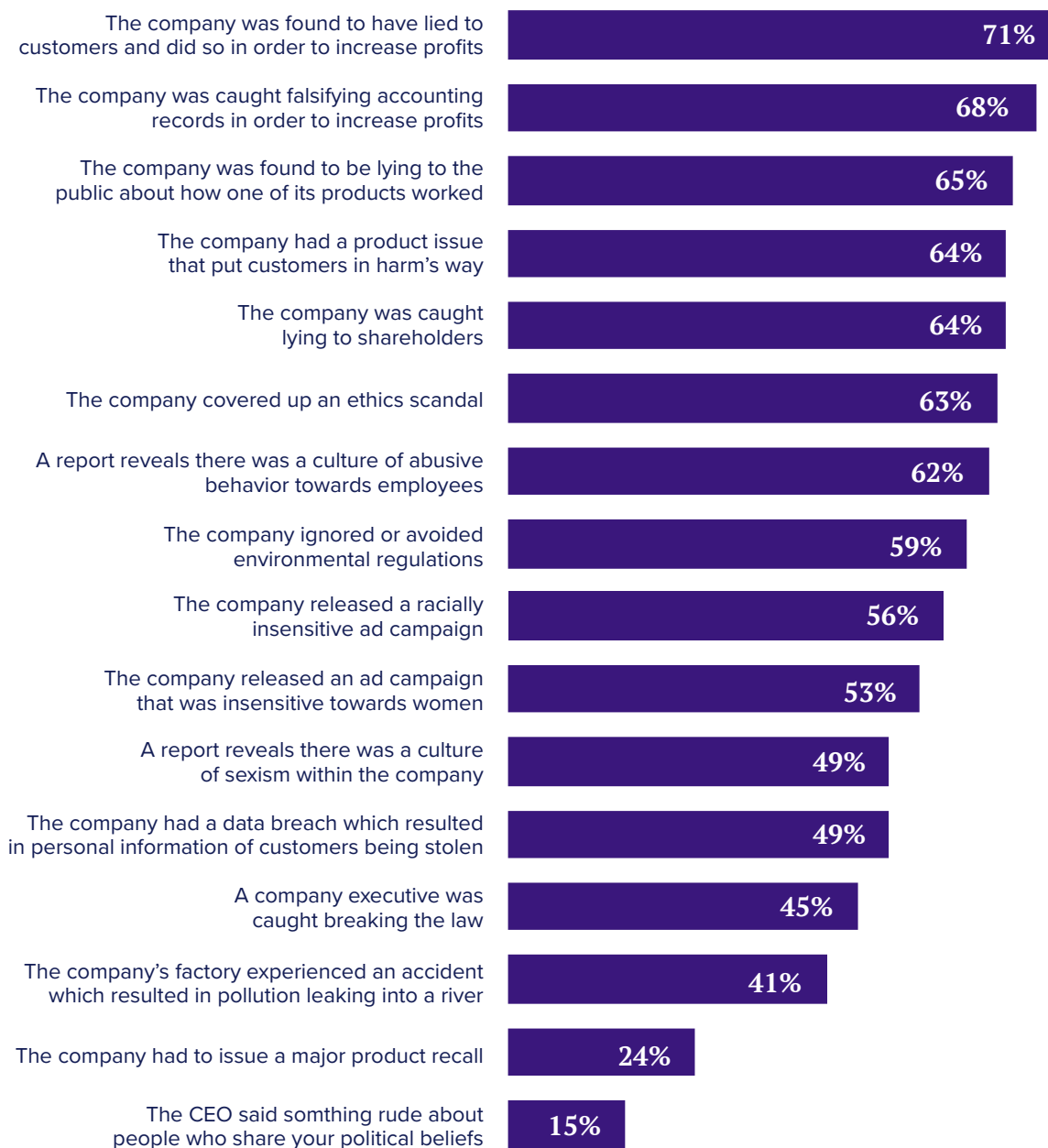matter most, and
how to best respond

HYPOTHETICAL BRAND CONTROVERSIES

Misleading the public for profit is the worst kind of scandal

Below are the percentage of people who say they would feel much less favorable towards a company that took the following actions:

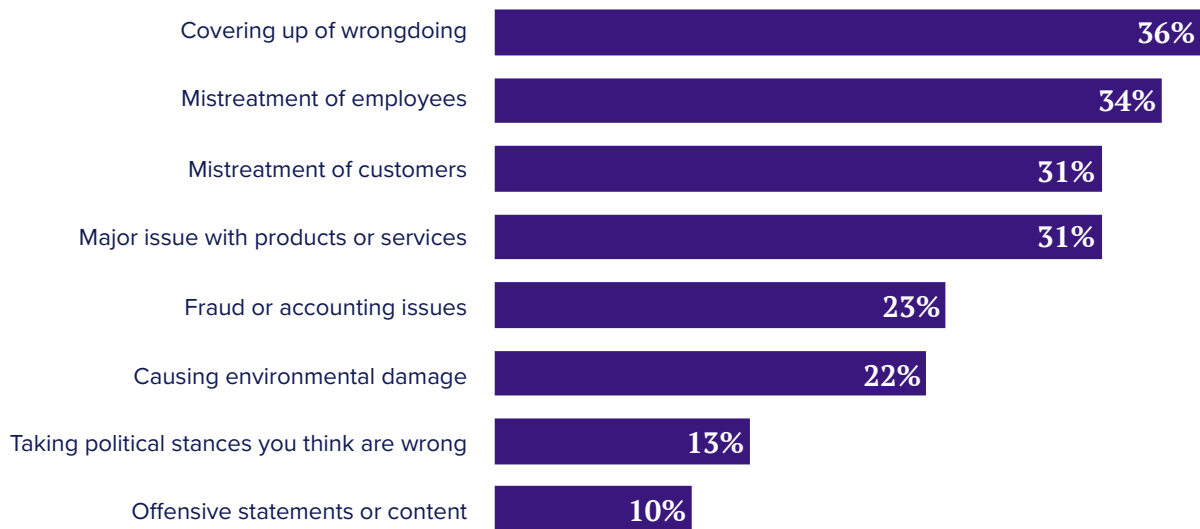| Action	Percentage
The company was found to have lied to customers and did so in order to increase profits	71%
The company was caught falsifying accounting records in order to increase profits	68%
The company was found to be lying to the public about how one of its products worked	65%
The company had a product issue that put customers in harm's way	64%
The company was caught lying to shareholders	64%
The company covered up an ethics scandal	63%
A report reveals there was a culture of abusive behavior towards employees	62%
The company ignored or avoided environmental regulations	59%
The company released a racially insensitive ad campaign	56%
The company released an ad campaign that was insensitive towards women	53%
A report reveals there was a culture of sexism within the company	49%
The company had a data breach which resulted in personal information of customers being stolen	49%
A company executive was caught breaking the law	45%
The company's factory experienced an accident which resulted in pollution leaking into a river	41%
The company had to issue a major product recall	24%
The CEO said somthing rude about people who share your political beliefs	15%

TYPES OF CONTROVERSIES

Offensive comments and political stances are the least damaging controversies

Considering the following types of corporate controversies, please select two that would most negatively impact your perception of a company.

Covering up of wrongdoing	36%
Mistreatment of employees	34%
Mistreatment of customers	31%
Major issue with products or services	31%
Fraud or accounting issues	23%
Causing environmental damage	22%
Taking political stances you think are wrong	13%
Offensive statements or content	10%

Baby Boomers care more about political scandals

Below are the percentages who say they would be less likely to purchase something from a company if the CEO said something rude about people who share their political beliefs.

GEN-Z (18-21)	MILLENNIALS	GEN-X	BOOMERS
38%	58%	59%	70%
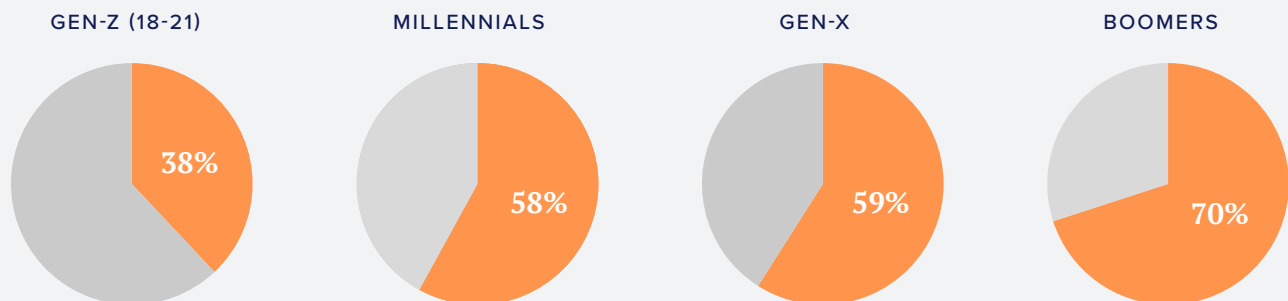
HOW TO WIN CONSUMERS BACK

What responses will go the
furthest to aid recovery efforts
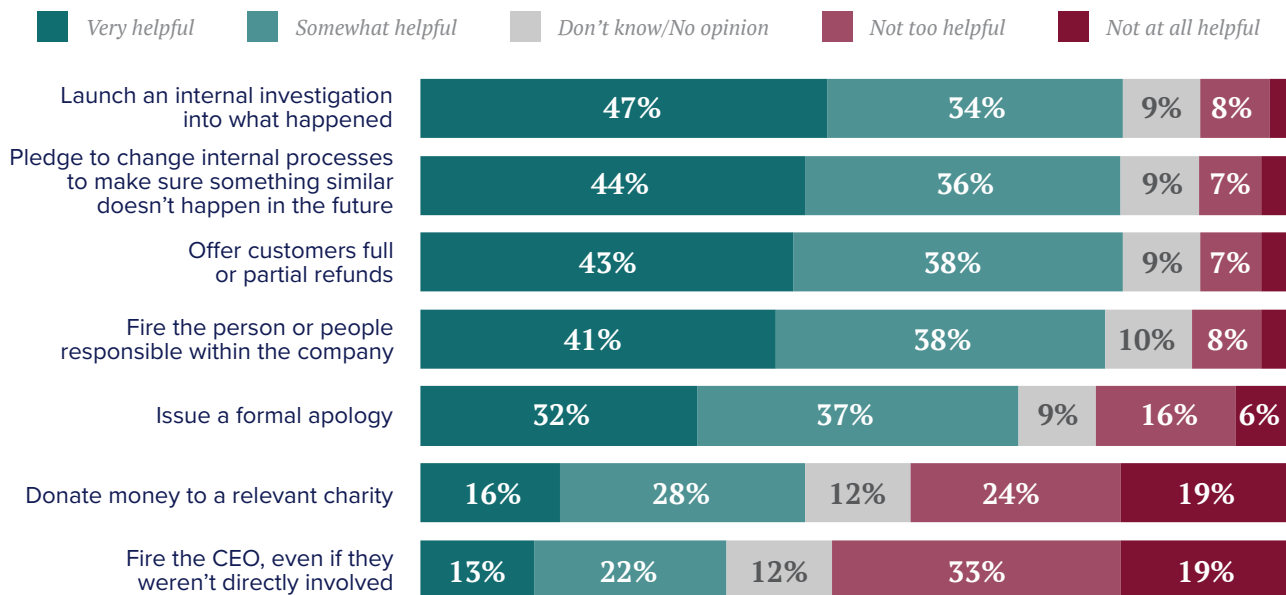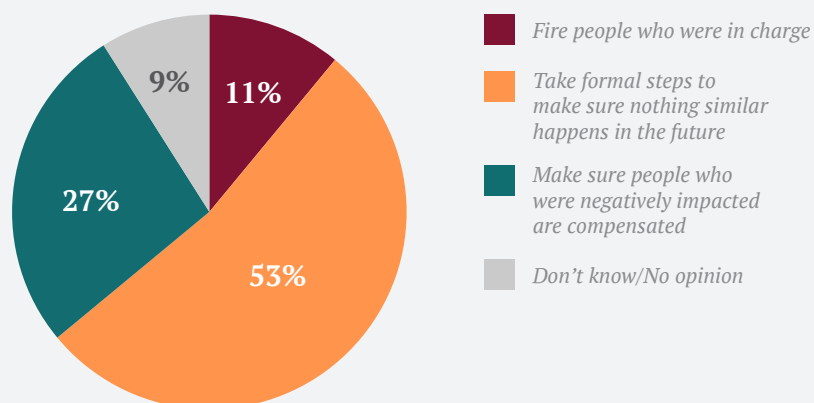
FINDING THE MOST EFFECTIVE RESPONSE

Launching an internal investigation will be well-received by consumers

Imagine a company is caught up in a major controversy that negatively impacted customers, leading you to have a less favorable opinion of the company. How helpful would each of the following steps be in getting back your support?

■ *Very helpful* ■ *Somewhat helpful* ■ *Don't know/No opinion* ■ *Not too helpful* ■ *Not at all helpful*

	Very helpful	Somewhat helpful	Don't know/No opinion	Not too helpful	Not at all helpful
Launch an internal investigation into what happened	47%	34%	9%	8%	
Pledge to change internal processes to make sure something similar doesn't happen in the future	44%	36%	9%	7%	
Offer customers full or partial refunds	43%	38%	9%	7%	
Fire the person or people responsible within the company	41%	38%	10%	8%	
Issue a formal apology	32%	37%	9%	16%	6%
Donate money to a relevant charity	16%	28%	12%	24%	19%
Fire the CEO, even if they weren't directly involved	13%	22%	12%	33%	19%

Preventing a future issue is more important to consumers than addressing the current issue

Which of the following do you think is the most important thing for a company to do when facing a major controversy:

11%
53%
27%
9%

■ *Fire people who were in charge*

■ *Take formal steps to make sure nothing similar happens in the future*

■ *Make sure people who were negatively impacted are compensated*

■ *Don't know/No opinion*

Not every scandal is the same. Here are the most effective responses for four possible scandals.

For each scandal, respondents were asked which response was the most important for the company to take. The options that received the most support are ordered below.

If a company ignored and covered up workplace harassment consumers think it would

1. Fire the person or people responsible within the company
2. Launch an internal investigation into what happened
3. Pledge to change internal processes to make sure something similar doesn't happen in the future

If a company misled customers about how a product worked consumers think it should...

1. Offer customers full or partial refunds
2. Fire the person or people responsible within the company
3. Pledge to change internal processes

If a company had a major data breach consumers think it should...

1. Launch an internal investigation into what happened
2. Pledge to change internal processes
3. Fire the person or people responsible within the company

If a company released a racially insensitive advertising campaign consumers think it should...

1. Fire the person or people responsible within the company
2. Issue a formal apology
3. Pledge to change internal processes

Apologies generally aren't sufficient

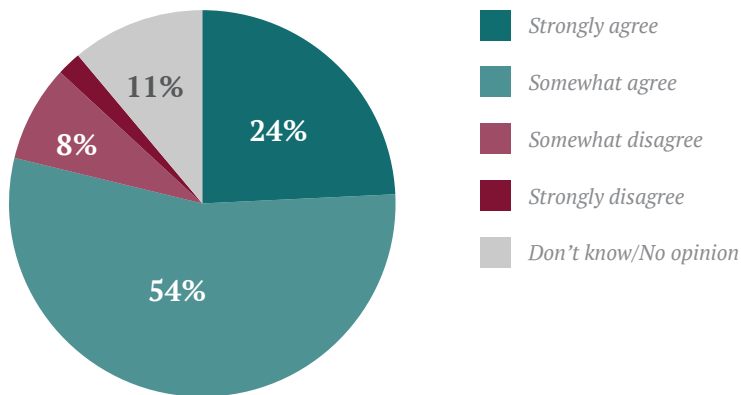Generally, do you think companies' formal apologies following a controversy are:

More talk than action	46%
For show	43%
Deceptive	12%
Honest	9%
Create action	8%
Geniune	7%
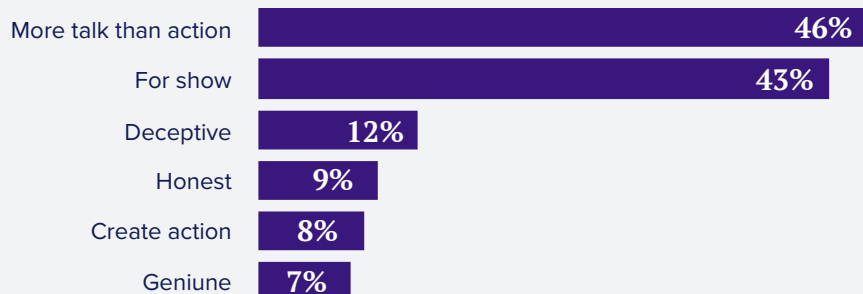
GAUGING REPERCUSSIONS OF A CRISIS

The right response could lead consumers to view you more favorably

Do you agree: If a company responds appropriately to a public controversy
and takes active measures to ensure it doesn't happen again, then I might
view that company more favorably than before

24%

54%

8%

11%

- Strongly agree
- Somewhat agree
- Somewhat disagree
- Strongly disagree
- Don't know/No opinion

Democrats more likely to stop purchasing products following a controversy

Which of the following statements comes closest
to your view, even if neither is exactly correct?

- I purchase products and services that I like or best meet my needs regardless of a company controversy
- Don't Know/No Opinion
- When I purchase products and services I am endorsing a company's statements and actions, so a company controversy may change the brands I use

All adults	40%	15%	45%
Democrats	35%	10%	55%
Republicans	43%	18%	39%
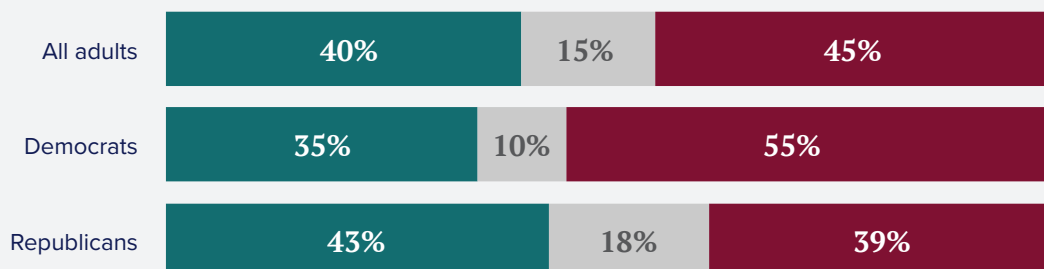
IS YOUR BRAND READY FOR A CRISIS?

BE PREPARED

METHODOLOGY

This poll was conducted from October 04-08, 2018, among a national sample of 2201. The interviews were conducted online and the data were weighted to approximate a target sample of based on age, race/ethnicity, gender, educational attainment, and region. Results from the full survey have a margin of error of plus or minus 2 percentage points.

CONTACT

QUESTIONS ABOUT THE REPORT?
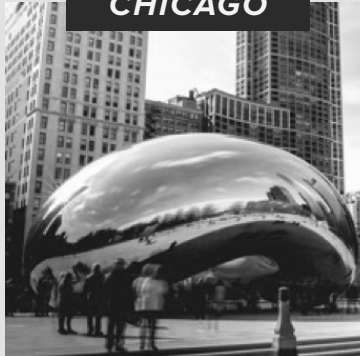BD@morningconsult.com

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