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Forgiving or Forsaking? Exploring Consumer Forgiveness and Coping Behavior after Luxury Brand Transgressions across Generations

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*“Roma mia quanto mi manchi, per me tu sei così
Il cielo, l'amore, l'estate, i tuoi sorrisi...”*

*Per quanto lontano io un giorno possa andare
Tu sarai per sempre casa e una casa rimani”*

E quando non ero pronta ad ammettere a me stessa che la mia vita era cambiata per sempre,
il mio cuore sapeva già che Roma sarebbe diventata parte indivisa di me.

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ABSTRACT

Brand scandals, also referred to as transgressions, have been a recurring phenomenon throughout the history of branding, significantly impacting the reputation of brands. In the case of luxury brands, this impact can be even bigger, as they are more vulnerable to transgressions, but interestingly enough, the literature in this domain is scarce. When transgressions occur, they disrupt the consumer-brand relationship, necessitating prompt action by brand managers to restore trust. Historically, brands have employed various strategies for this purpose, with apologies emerging as one of the most effective approaches. However, it is essential to recognize that brands can extend apologies in different ways. This study seeks to investigate consumer responses following two distinct types of apologies: a full apology and a partial apology. Specifically, this study hypothesized that these two apology approaches will have differential impacts on consumer forgiveness and subsequent coping behaviors. Additionally, this research aimed to explore potential variations in consumer behavior across two distinct generational cohorts: Generation Z and Millennials. To achieve these objectives, quantitative method was employed, with a between subject design in which respondents were randomly and evenly assigned to one of two conditions, namely, full and partial apology. The survey collected data from 133 participants, revealing that a full apology, which includes an acknowledgment of responsibility for the transgression, indeed leads to reduced brand switching, decreased negative electronic word-of-mouth (eWOM), and an increased intention to repurchase. Furthermore, the findings confirm the mediating role of consumer forgiveness, shedding light on its influence on consumer coping behaviors. However, no significant differences in respondent behavior were observed between the two generational cohorts. This study contributes to the broader body of literature on luxury brand management by initiating a novel research stream in the realm of luxury brand transgressions and the strategies employed to address them. Moreover, it offers practical guidance to brand managers operating within the luxury sector. While this research addresses existing gaps in knowledge, it also identifies potential avenues for future exploration in this domain.

Keywords: Luxury Brand, Brand Transgression, Consumer-Brand Relationship, Consumer Forgiveness, Coping Behavior, Generation Z, Millennials

TABLE OF CONTENTS

1 INTRODUCTION	7
2 THEORETICAL BACKGROUND	10
2.1 Brand transgression and brand response	10
2.1.1 <i>Overcoming brand transgression: full apology versus partial apology</i>	11
2.2 The concept of consumer forgiveness.....	12
2.3 Consumer coping behavior	14
2.3.1 <i>Brand switching</i>	14
2.3.2 <i>Negative electronic WOM</i>	15
2.3.3 <i>Re-engaging</i>	16
2.4 Generational Cohort Theory	16
2.4.1 <i>Characteristics of Millennials</i>	17
2.5 Hypothesis Development	18
2.5.1 <i>Generational cohort as a control variable</i>	20
2.6 Conceptual framework.....	21
3 METHODOLOGY	23
3.1 Research design	23
3.1.1 <i>Stimuli</i>	23
3.1.2 <i>Survey Structure and Measurements</i>	24
3.2 Preliminary analysis.....	26
3.2.1 <i>Data cleaning</i>	26
3.2.2 <i>Sample</i>	26
3.2.3 <i>Scales reliability and validity</i>	26
3.4 Main test and results	28
3.4.1 <i>One-Way ANOVA Test</i>	28
3.4.2 <i>Mediation analysis</i>	30
3.4.3 <i>Control variable testing</i>	31
4 GENERAL DISCUSSION & IMPLICATIONS	33
4.1 Summary of main findings.....	33
4.2 Theoretical implications.....	34
4.3 Managerial implications.....	36
4.4 Limitations and future research.....	37
4.5 Conclusion	38
REFERENCES	40

APPENDIX A	45
SURVEY FLOW	45
APPENDIX B	47
RELIABILITY TEST	47
FACTOR ANALYSIS	49
REGRESSION	51
PROCESS	52
DESCRIPTIVE STATISTICS OF THE SAMPLE	53

1 INTRODUCTION

In the realm of luxury branding, where the allure of prestige and exclusivity reigns supreme, maintaining an untarnished reputation is of great importance. However, even the most revered luxury brands occasionally find themselves entangled in crisis, also known as transgressions.

In November 2022, luxury fashion brand Balenciaga presented its holiday ad campaign, which, not so long after, received a serious backlash on social media. Specifically, the brand's campaign featured images of children adorned in bondage harnesses and costumes while holding teddy bears. The public response was swift, with the hashtag #cancelBalenciaga gaining traction on Twitter and TikTok. Many individuals accused the brand of implicitly endorsing pedophilia and exploiting children. Similarly, in 2018, Dolce & Gabbana sparked outrage with a series of videos and social media posts featuring a Chinese model having struggled to eat Italian food with chopsticks. The campaign was criticized for perpetuating racial stereotypes and disrespecting Chinese culture. As a result, the brand faced severe backlash, leading to the cancellation of their fashion show in China and a significant decline in sales.

Brand scandals are not a new phenomenon; in fact, the concept of transgressions gained traction in the literature with the study conducted by Aaker, Fournier & Brasel (2004). However, their dynamics and consequences have been significantly influenced by the emergence of the internet and social media. In the past, brand transgressions might have only affected small geographical areas or reached a relatively small audience through traditional media channels. Nonetheless, in the era of advanced technology and interconnectedness, the speed and reach of information dissemination have been revolutionized. As seen in the aforementioned examples, luxury brand crises now have the potential to spread like wildfire across online platforms, capturing the attention of global audiences within moments.

The dynamics between brands and consumers have also experienced a seismic shift. The rise of social media has empowered consumers, transforming them from passive recipients of brand messages into active participants and co-creators (Ind, Iglesias, & Schultz, 2013). Consumers can openly express their opinions, share their experiences, and contribute to the narrative surrounding a brand scandal, thereby exerting substantial influence on brand reputation and shaping public perception. Hence, with the advent of social media, there is a heightened ability to hold individuals accountable for their wrongdoings, cultivating a space where people can assume the role of arbiters, exemplified by the emergence of cancel culture (Mueller, 2021). In today's hyper connected world, any negative information concerning a brand can swiftly trigger a boycott movement against it (Romani, Grappi, Zarantonello & Bagozzi, 2015), which can lead to reduced sales, loss of customer trust, and damage to the brand's overall value.

The luxury brand industry has experienced remarkable growth and global influence in recent years. According to a report by Statista (2023), the worldwide luxury goods market has consistently expanded, with global revenue reaching a staggering \$318 billion in 2020. The market's largest segment is Luxury Fashion with a market volume of \$111.50 billion in 2023 (Statista, 2023), which is the segment this paper will focus on. In such dynamic and competitive landscape of the luxury industry, where brands strive to cultivate strong relationships with consumers, the occurrence of brand transgression can have profound implications. Understanding them is essential, as these implications can significantly affect consumers' perceptions, attitudes, and behaviors towards a brand, consequently influencing the consumer-brand relationship. This relationship is one of the most relevant aspects that define brand's success, as they have a big impact on consumer's decision-making process. In addition, this holds particular significance for luxury brands, as consumers who purchase luxury items often demonstrate a heightened emotional engagement in the process of making consumer decisions (Atwal & Williams, 2017).

However, even with the understanding of implications which can increase the effort of the company to avoid getting entangled into transgressions, they will inevitably occur (Aaker et al, 2004). When that happens, consumers can react in different ways (Tsarenko & Tojib, 2015). Some will choose to stop supporting it and opt for rival brands, while others might express their emotions and frustrations on consumer forums and social media platforms. Consequently, regaining consumer trust and seeking their forgiveness becomes the brand's ultimate objective. However, the process of brand forgiveness is intricate, and it encompasses several elements that determine whether consumers are willing to forgive the brand for its mistake or not (Tsarenko & Tojib, 2015). One of the factors that can influence consumers' response is the brand's own response to its transgression. According to the Image repair theory (Benoit, 1997) there are five strategies that brands can use when trying to recover from a negative event, ranging from a denial to a corrective action, with the latter being in the focus of this research, in particular, the form of apology.

It is intriguing to note that, despite the undeniable significance of brand transgressions in the realm of luxury goods, the existing body of literature addressing this subject matter remains remarkably limited. To the best of the author's knowledge and extensive review of existing literature, only one research paper has explored the relationship between transgression and luxury (Hemonnet-Goujot, Kessous, & Magnoni, 2022), while one paper has examined the factors that contribute to individuals experiencing intense negative emotions towards luxury brands. The article briefly acknowledges transgressions as a negative occurrence that can result in a strong aversion towards luxury brands (Bryson, Atwal, Hultén, & Heine, 2021). Indeed, luxury management researchers have historically concentrated on the favorable aspects of luxury consumption, resulting in an insufficient exploration of the literature regarding consumer-brand relationships after luxury brand transgressions. Therefore, this study aims to address this gap by focusing on transgressions within the luxury sector, as research suggests that highly negative incidents have a significant impact on consumers' emotional attitudes towards luxury brands (Bryson, Atwal, & Hultén, 2013).

In addition, despite the vast body of studies in the field of branding, the literature lacks research exploring the diverse responses and perceptions exhibited by different generations towards brand behaviors. This is, however, an increasingly important matter, since generational shifts influence market dynamics significantly. As younger generations enter adulthood and become key consumer segments, their preferences can disrupt existing market trends and demand patterns. Bain & Co (2022) reports that the global luxury market in 2022 was predominantly influenced by Millennials and Gen Z, who accounted for 72% of its composition. Projections indicate that these two generational cohorts are expected to comprise over 60% of the luxury market by 2026 (Morency, 2021). This study aims to fill a research gap by examining the differences in consumer behavior between Generation Y and Generation Z consumers. Specifically, it will focus on their willingness to forgive a brand's transgression.

The main aim of this research is to thoroughly examine the influence of various brand responses to its wrongdoing on consumer forgiveness, with a particular emphasis on the mediating role it plays. Moreover, the study seeks to explore the subsequent influence of consumer forgiveness on coping behaviors of consumers, namely brand switching, engaging in negative electronic word-of-mouth, and repurchasing intentions. Furthermore, an important aspect of this research involves the examination of potential disparities in these behaviors between two distinct generational cohorts: Generation Y (Millennials) and Generation Z. By delving into these aspects, the study aims to shed light on the intricate dynamics between brand responses, consumer forgiveness, and coping behaviors, thus contributing valuable insights to the field of marketing and consumer behavior.

2 THEORETICAL BACKGROUND

2.1 Brand transgression and brand response

Although it might appear that misfortunes are reserved solely for others or those who are not cautious enough, all companies are, in the end, susceptible to experiencing failures in their products or services, as well as facing negative public perception, for various reasons. The question is, actually, not whether these brand crises will happen, but rather, when they will happen (Ran, Wei & Li, 2016). In a broader context, brand crisis encompasses a range of negative events of certain amplitude, which lead to reconsideration of the relationship between a consumer and a brand (Khamitov, Grégoire & Suri, 2020). Previous literature has made a clear difference between brand transgression, service failure recovery, and product-harm crisis, although some authors are trying to unite those events under the same umbrella (Khamitov et al., 2020; Fournier & Alvarez, 2013). However, this paper concerns itself with brand transgressions that emerge due to inadequate brand management. Furthermore, even brand transgressions alone include a broad range of actions or incidents, wherein a brand behaves in ways deemed “wrong” or in violation of societal norms. These transgressions can span from instances of product malfunction to more severe cases, such as a company’s violation of social codes, and may serve as defining moments that lead to notably negative consequences, that can be both financial and psychological (Lin & Sung, 2014).

Unfortunately for brands and their managers, brand transgressions are usually highly publicized (Dutta, & Pullig, 2011), especially in the digital era, where social media platforms allow news of brand missteps to propagate rapidly across the online landscape. Today, consumers possess the capacity to leverage social media platforms as a means to voice discontent, offer critiques, and seek restitution for the missteps committed by brands (Christodoulides, Gerrath & Siamagka, 2021). It has become rather simple to vent online and get engaged in the negative word-of-mouth, which is posing a significant threat to brand image and reputation. Furthermore, social influence is one of many factors that can influence consumers’ willingness to forgive (Christodoulides et al., 2021). Consequently, navigating the risky waters of brand reputation has become a challenge in the digital era, requiring brands to exercise greater vigilance and responsiveness in their actions to avoid becoming the next viral sensation for all the wrong reasons.

In today’s highly sensitive consumer landscape, where any adverse information about a brand has the potential to ignite a powerful boycott movement against it (Romani et al., 2015), this kind of consumers’ behavior holds particular significance within the luxury sector. This importance arises from the fact that luxury brands offer more than just functional benefits; they provide elevated levels of symbolic and experiential value (Berthon, Pitt, Parent, & Berthon, 2009). Furthermore, it has been observed that consumers of luxury goods often exhibit heightened emotional engagement throughout their decision-making processes (Atwal & Williams, 2017), leading to a higher likelihood of extreme negative effects being formed. Since attachment is stronger with luxury brands than non-luxury ones, the potential

harm that comes with the transgression should also be more pronounced. That said, luxury brands might be more vulnerable to transgressions (Hemonnet-Goujout et al., 2022), even though, as previously mentioned, transgression could occur with any brand. The consequences of brand transgressions are particularly far-reaching for luxury brands. They extend beyond immediate financial impacts and pose the intricate challenge of mitigating damage while simultaneously safeguarding the brand's coveted image and appeal. That can be seen from many cases, in addition to the previously mentioned ones regarding Balenciaga and Dolce & Gabbana. For example, during Gucci's runway show in 2020, the brand presented straitjackets, which were used in controlling people suffering from mental health conditions in the past. Even during the runway, one model protested by holding up their hands on which they had written "Mental health is not fashion", and the further outrage continued. Many brands were also accused for cultural appropriation, such as Marc Jacobs for using fake dreadlocks on their models during the runway show, and again Gucci, for presenting Sikh turban as a fashion accessory. All these events triggered heavy backlash and criticism, which put on the test established consumer-brand relationships.

2.1.1 Overcoming brand transgression: full apology versus partial apology

Following a transgression, consumer trust is violated, resulting in an instant decline in trust (Kennedy & Guzmán, 2021). Regaining trust means that consumers would be willing to forgive the brand for its wrongdoings, and that willingness is determined by the relationship that consumers build with their brands (Sinha & Lu, 2016), known as consumer-brand relationship. This relationship is one of the most important aspects that can define brand's success, as it has a significant impact on consumer's decision-making process. According to Fournier (1998), whose study has developed a relational approach in consumer research, consumers can develop a relationship with a brand that is comparable to the relationship between two individuals. This resemblance arises from the fact that consumers often personify brands, attributing human-like qualities and characteristics to them (Plummer, 2000). As a result, brand violations can elicit emotions in consumers that are akin to the feelings one might experience when a close friendship comes to an end (Aaker et al., 2004).

The concept of brand transgression, as defined by Aaker et al. (2004), revolves around consumer-brand relationship and the violation of the norms that define it. This essentially involves breaching the implicit or explicit rules that guide how relationships are conducted and assessed within this context. When a brand transgression takes place, consumers are faced with the critical decision of whether to persevere with their relationship with the brand or sever ties altogether (Sayin, & Gürhan-Canlı, 2015). Research findings have consistently indicated that consumers are more inclined to forgive a brand for its transgressions if they share a strong attachment to it and possess a high level of commitment to the brand in question (Sinha & Lu, 2016). Furthermore, it has been observed that stronger consumer-brand relationships have the potential to mitigate the potentially adverse effects that may arise as a consequence of brand transgressions (Park & John, 2018). In essence, these strong relationships act as a protective buffer, helping to minimize the negative repercussions that a brand might face when it strays from expected norms.

In order to address and repair the damage caused by transgressions, brands have implemented various strategies to ensure that consumers maintain a positive perception of the brand. These efforts by marketers to initiate recovery can help mitigate the typically negative consequences of failures, sometimes even leading to higher levels of satisfaction than before the event (Aaker et al., 2004). According to the image repair theory (Benoit, 1997), brands have five strategies at their disposal when attempting to recover from a negative event. These strategies include denial, evasion of responsibility, reducing the offensive nature of the event, taking corrective action and mortification. It is worth noting that in the past, companies were often advised against offering apologies as a strategy to minimize the risk of potential lawsuits (Wooten, 2009). However, more recent literature suggests that apologies are the most effective approach for resolving conflicts (Brocato, Peterson, & Crittenden, 2012). A meta-analysis conducted by Arendt, LaFleche, and Limperopulos (2017) supports the notion that the most positive impact in crisis response occurs when a brand takes corrective action combined with an apology.

After the transgression takes place, companies have the opportunity to acknowledge and address unfavorable behavior, implement corrective actions, and issue apologies as a means of restoring their reputation (Benoit, 1997). Apology, as defined by Kim et al. (2004), involves acknowledging the fault for a negative event and expressing regret for a breach of trust. Accepting responsibility is considered a central characteristic of an apology, which may also include expressing sympathy towards those affected and seeking forgiveness (Kim et al., 2004). In the consumer context, brands strive to apologize in order to mitigate the negative repercussions of a crisis and promote positive psychological outcomes (Roschk & Kaiser, 2013). Traditionally, the literature has treated apologies as a binary phenomenon, where an apology is either present or absent (Tsarenko & Tojib, 2015). As a result, numerous research studies have allocated participants to either an “apology” or a “no apology” condition (see, for example: Kennedy & Guzman, 2021). However, given consumers’ current expectations for brands to take responsibility and respond to crises, it has become rare, if not nonexistent, for an apology to be absent. Nonetheless, as demonstrated in the case of Balenciaga, apologies can be, for example, delayed. The creative director of the Balenciaga campaign, which faced significant backlash, issued an apology via Instagram nearly two weeks after the incident took place.

2.2 The concept of consumer forgiveness

As previously stated, when a transgression takes place, it disrupts the relationship between consumers and a brand, requiring its restoration. While existing literature has extensively explored the outcomes of negative brand relationships, there has been comparatively less focus on the underlying emotional responses that can aid brand’s efforts to repair or transform adverse brand associations into positive ones. At the heart of this process lies the concept of forgiveness (Fetscherin & Sampedro, 2019). In line to this, according to the Fernández-Capo et al. (2017), forgiveness is one of the most crucial processes the help in restoring relationships.

Historically, the concept of forgiveness was confined to theology and philosophy, later entering the field of psychology within which it is predominantly discussed and developed. In contrast, when it comes to the marketing literature, the concept has entered it recently (Zourrig et al., 2009). Furthermore, the concept of forgiveness has historically been predominantly examined within the realm of interpersonal relationships, focusing on the interactions between individuals (Aaker et al., 2014). However, there has been limited exploration of forgiveness in relation to entities such as brands until the early 2010s. Nonetheless, these explorations have successfully laid the foundation for the application of forgiveness in the consumer context, (Xie & Peng, 2009; Zourrig et al., 2009; Tsarenko & Tojib, 2015; Kennedy, & Guzmán, 2021), which will be used as the base of this study.

The concept of forgiveness is complex, as it is not completely understood why individuals choose to forgive, and why forgiveness manifests differently in each person. In addition, a universally agreed-upon definition of forgiveness does not exist. According to Enright, Freedman, & Rique (1998, p. 46), forgiveness involves “willingness to abandon one’s right to resentment, negative judgment, and indifferent behaviour towards one who unjustly hurt us, while fostering the undeserved qualities of compassion, generosity, and even love towards him or her”. The literature offers many definitions and aspects of forgiveness, including behavioral, cognitive, affective and motivational ones. Interestingly, Christodoulides, Gerrath, & Siamagka, (2021) argue that when it comes to consumer forgiveness, it diverges from interpersonal, because it primarily focuses on the behavioral aspect of the concept. According to Xie and Peng (2009, p. 578), consumer forgiveness encompasses “consumers’ inclination to abstain from seeking revenge, distancing themselves, and engaging in other harmful behaviors, and instead respond positively following a breach of trust by an organization and its subsequent efforts to regain trust.” Both definitions agree on the observation that forgiveness consists of two aspects. The first aspect involves letting go of negative emotions, while the second aspect involves nurturing positive emotions (Tsarenko & Tojib, 2015). Continuing along this thought, this paper envisions forgiveness as a construct related to the process of diminishing negative emotions or substituting them with positive ones.

As previously discussed, in the aftermath of a brand transgression there is a complex interplay of emotional responses integral to the transformation of negative feelings into positive ones. This process stems from the notion that forgiveness happens within a relational context, signifying its role as a constructive mechanism within relationships (Xie & Peng, 2009). Notably, the relationships between marketers and customers, as well as consumers and brands, have evolved into increasingly intimate and resilient connections (Fournier, 1998). Consequently, forgiveness emerges as a pivotal element within these relationships when transgressions occur, serving as a foundational pillar for the restoration of trust and the mitigation of adverse emotions (Xie & Peng, 2009).

2.3 Consumer coping behavior

After a brand transgression occurs, consumers may respond in various ways. Some may attempt to distance themselves from the transgressor, while others may choose to behave in a manner that goes against the transgressor's desires (Grégoire, Tripp, & Legoux, 2009). For example, they might switch a brand, and turn to a competitor's offer (Tsarenko & Tojib, 2015). Some consumers may start "fighting" with the brand, by engaging in negative word-of-mouth behavior (Grégoire, Tripp, & Legoux, 2009), especially on the internet and social media platforms. Tsarenko and Tojib (2015) see this as a strong punishment, since by negative electronic WOM affected consumers may influence individuals who haven't originally been affected by the brand's transgression, spreading the damage in such way. In addition to these behaviors that undermine the consumer-brand relationship or potentially lead to its termination, consumers have the ability to consciously replace negative emotions with positive or neutral ones. Following that, consumers might re-engage with the brand by opting out for it again in the next purchase (Fetscherin & Sampedro, 2019).

This study will, therefore, focus on three types of consumer coping behavior. These include opting for a competitor's brand (brand switching); expressing dissatisfaction with the brand through social media complaints (negative electronic word-of-mouth); and choosing to make a repeat purchase, thereby re-engaging with the brand (repurchase intention).

2.3.1 Brand switching

From consumer's perspective, luxury goods possess a distinctive set of attributes that elevate them above ordinary products. Specifically, they have superior characteristic that include high quality, premium price, exclusiveness, aesthetic, and they can provide the consumer with the feeling of self-respect and appreciation by the others (Heine & Phan, 2011). Atwal and Williams (2017) point out that luxury goods benefit from strong brand recognition and a perception of high quality, leading to sustained sales and customer loyalty. Could a transgression of a luxury brand affect their consumers that much to make them shift their loyalty?

Dictionary of Marketing defines brand switching as the "practice of changing from buying one brand to another, showing little brand loyalty" (Ivanovic & Collin, 2003). Lee, Motion and Conroy (2009) argue that the term brand switching could be used interchangeably with the term brand avoidance. The same authors define brand avoidance as "a phenomenon whereby consumers deliberately choose to keep away from or reject a brand" (Lee et al., 2009, p. 422). Even though in brand switching consumers do choose to reject a brand, which implies the same outcome, they also change it after with another brand, which is why this study will explore the behavior that is under the term of "brand switching".

2.3.2 Negative electronic WOM

By engaging in negative electronic word-of-mouth, consumers are, in a way, fighting a brand for its wrongdoings. According to Fetscherin and Sampedro (2019), there are indirect and direct fighting strategies, where negative word-of-mouth is within the indirect fighting behavior, and it can be towards close friends and family, or more mass-oriented. By expressing their opinion publicly on the internet, consumers are reaching a wider audience, which is why electronic word-of-mouth is mass-oriented and therefore, more influential.

According to Cheung and Thadani (2010), electronic word-of-mouth communication (eWOM) is defined as the act of customers, whether potential, current, or past, expressing positive or negative opinions about a product or company, and spreading these opinions over the Internet. In earlier years, consumers would use online discussion forums, consumer review websites, blogs, and similar platforms for complaining about brands, services and products. Today, however, with the spread of social media platforms that are becoming more interactive (like TikTok or Instagram, for example, where consumers can post a video of themselves reviewing a product), and also more used year by year (in 2023 more than half of the world is using social media – 60%, source: Smart Insights, 2023), consumers are increasingly publishing their opinions there. Social media platforms facilitate the dissemination of negative attitudes, allowing dissatisfied customers to voice their complaints, share information against a brand, and even coordinate boycotts or legal actions (Bryson, Atwal, Hultén, & Heine, 2021).

Luxury brands, due to their high value, tend to captivate more interest from brand hate websites compared to less valuable brands. This makes them particularly susceptible to negative electronic word-of-mouth (eWOM) as discussed by Kucuk (2008). Additionally, the prevalence of dissatisfied consumers sharing their opinions on social media poses yet another threat to luxury brands. These shared opinions have the potential to influence other consumers who come across them. Moreover, since individual consumer behavior is influenced by group behavior and approval, negative eWOM has the ability to rapidly spread across the internet and severely damage a brand's reputation (Bryson et al., 2021). How serious can a social media backlash be in case of luxury brand transgressions, it can be seen from the example of Balenciaga's holiday campaign that featured children holding teddy bears with bondage harnesses. Not only did consumers post content with the hashtag "cancel Balenciaga" explaining the questionable behavior of the brand, but it also affected the brand managers of Balenciaga to delete all content from their Instagram profile, leaving only a story (feature that disappears after 24 hours) with the apology. Furthermore, the creative director and photographer of the campaign started receiving death threats (Pandey, 2023). Case like this is the reason why this paper prioritizes negative electronic WOM instead of non-electronic one, furthermore making it clear in the measures that this type of WOM is disseminated through social media platforms. Moreover, social media role within a luxury context is becoming increasingly popular within the academic research (Creevey, Coughlan, & O'Connor, 2022), but there is still a significant gap in understanding this type of behavior following a luxury brand transgression.

2.3.3 Re-engaging

According to Chung and Beverland (2006) following a brand transgression, consumers enter the process of re-evaluating the brand relationship, therefore they engage in various behaviors. The third behavior that will be examined in this study is re-engagement. Re-engagement refers to the act of continuing to make purchases from a brand that has experienced a transgression. In simpler terms, it is a measure of the repurchase intention. It has been explored before how negative emotions change. The research by Zarantonello, Romani, Grappi, & Fetscherin (2018) studied different trajectories following brand hate, which also occurs after the corporate wrongdoing, according to the same source. The down–up trajectory is described as the one where “respondents are open to buy the brand in the future, despite the negative feelings in the present” (Zarantonello et al., 2018, p. 554). Furthermore, a research done by Tsarenko and Tojib (2015) reveals a noteworthy correlation between forgiveness and the intention to repurchase. Therefore, this study will retest this hypothesis in the case of luxury brand transgression.

2.4 Generational Cohort Theory

For many years researchers have been exploring differences between personality traits among consumers belonging to different generations (Goldring & Azab, 2021). Indeed, many studies have found that these traits in consumers, like brand loyalty for example, do vary across generations (Moss, 2010), which is out of great importance for marketing managers. Furthermore, it is important to acknowledge that the distinctions between generational cohorts extend beyond mere age. In fact, these cohorts are defined by the collective experiences that shape their values and aspirations (Goldring & Azab, 2021). According to Turner (2015), a generation is characterized as a distinct group that experiences a specific set of historical events and associated phenomena, resulting in a noticeable generational gap. These events can include wars, economical changes, political upheavals, breakthrough innovations, and celebrity and cultural icons. Events like these have important and long-lasting effects on values, attitudes, perceptions and behaviors of a generational cohort, which further impact their consumption behavior such as purchase (Parment, 2013). Moreover, these behaviors are strong enough to be predictable (Goldring & Azab, 2021). For this reason, psychological and consumer characteristics that derive from generational differences are noteworthy of research.

However, while there is agreement regarding the importance of studying the behavior of generational cohorts, discrepancies emerge in the names of the cohorts, as well as the range of generational years, which vary across the world. Pew Research Center (2019) defines Generation Y or Millennials as anyone born between 1981 and 1996 (ages 27 to 42 in 2023), while anyone born between 1997 and 2012 (ages 11 to 26 in 2023) is part of Generation Z, or shorter, Gen Z. This study will therefore use this definition.

2.4.1 Characteristics of Millennials

Generation Y is the first global generation connected by the Internet, and consecutively, social media (Ordun, 2015), since they came of age during the major technological advancements, especially related to Internet. Therefore they are considered a disruptive generation, very fond of technology and tech savvy (Lu, Bock, & Joseph, 2013), that is not just passively using it, but also driving the big changes and shifts. Since they are the first generation that does not need an authority figure to access information, it makes them very educated, advanced workers and leading technology enthusiasts (Ordun, 2015). Research shows that Millennials “want it all and now”, when it comes to their salary, career advancement, work/life balance, as well as making a contribution to society (Ng, Schweitzer & Lyons, 2010). From a demographic perspective, Millennials are a large market that has large buying power, both current and future (Lazarevic, 2012), which is what makes them interesting for marketers.

These characteristics of Millennials can translate in their consumer behavior as that they are knowledgeable about brands (Lazarevic, 2012), want to have a lot of information and are not afraid to try new products and services. They want to be seen, known and respected, and they demand an authentic relationship with a brand (Ordun, 2015). Therefore, brands that this generation consumes have to be congruent with their self-image, as they are matching the brands purchased to the picture they have about themselves (Noble, Haytko & Phillips, 2009). Not only are they aware of what brand usage says about them, but also of inferences others will draw of them based on their consumption habits (Lazarevic, 2012). Furthermore, they are more idealistic and less materialist, and are more interested in experiences compared to possessions (Lu et al., 2013), which is an interesting insight for the luxury industry which has materialism as its core value. However, they are still an important segment for this industry as it is predicted that they make up 50% of global luxury goods market (Statista, 2023). In addition, Millennials hate luxury brands when they feel like they lack ethics and integrity (Kapferer & Michaut-Denizeau, 2019).

When it comes to social media, as previously mentioned, Millennials are the first generation to have social media, and today 90% of them use social media actively. They mostly use Facebook, Instagram and YouTube, and it has been reported that their usage increased after the COVID-19 pandemic (Statista, 2023). A significant portion of the Millennial population utilizes social media platforms as a means to discover new products and services. According to Gitnux (2023), approximately 63% of Millennials rely on social networks to stay informed about various brands. Notably, nearly 70% of Millennials place trust in online reviews, regardless of their familiarity with the reviewers, valuing this feedback more than the opinions of professional critics. This inclination can significantly impact the perception of negative electronic word-of-mouth (eWOM).

2.4.2 Characteristics of Generation Z

There was a mistaken belief that many held when the new generation emerged – that Generation Z is essentially the same as Millennials in terms of their behaviors, beliefs, and attitudes (Vision Critical, 2015). However, recent research conducted over the past few years suggests otherwise: there are significant differences in the values, beliefs, and behaviors between these two generational groups. Millennials can be considered as digital migrants, while members of Generation Z are the first generation to be born into a world with easy access to technology since early childhood, also called digital natives (PrakashYadav & Rai, 2017). Millennials tend to be idealistic, whereas Gen Z individuals are more realistic and practical (Euromonitor, 2023). Furthermore, due to their ambition, social consciousness, self-direction, and wariness of brands, they are often compared to the Silent Generation (the generation preceding the Baby Boomers) more than any other generation (Williams, 2015).

Due to their status as digital natives, Gen Z individuals are constantly connected and rely on technology for various aspects of their lives, such as social relationships, entertainment, information, and shopping (Goldring & Azab, 2021). Growing up in a digital world has made them highly conscious of brands and their preferences, distinguishing them from other generations (Williams, 2015). Additionally, they utilize consumption as a means of self-expression and engage with brands that align with their self-image (Goldring & Azab, 2021). However, they seem to be less brand loyal in comparison to previous generations, and are less concerned about high-end luxury brands (Goldring & Azab, 2021). On the other hand, they want to show that their personal style reflects high quality and trendy items that may look expensive, but are not (Vision Critical, 2015). In fact, because of their values and behaviors that differ from other generations, it has been reported that luxury industry is rapidly evolving in order to adapt to this growing market segment.

Online life of Generation Z represents content creation as the main activity they are interested in. While Millennials enjoy in collecting and sharing media on their social platforms, Gen Z's prefer to create and share their own content, including photos, videos, animations etc. (Goldring & Azab, 2021). In communication with brands they expect a two-way dialogue and often use social media to express their opinions on their purchases and performance of certain brands (PrakashYadav & Rai, 2017). In fact, since Gen Z's rely on social media for many life activities, they find value in sharing their consumption activities though posting photos and videos, as well as reviews, and they often have a need to express their feelings on social networks even when they are negative (Goldring & Azab, 2021).

2.5 Hypothesis Development

Not only can a brand transgression have an impact on the consumers, given that it violates the consumer-brand relationship and hurts the trust (Aaker et al., 2004; Kennedy & Guzmán, 2021), but the brand's response to it can also provoke different reactions. Following up on previously identified insights and gaps in the literature, this study will focus on the

effect of two response types of the brand after the transgression occurs. Drawing upon Benoit's (1997) image repair theory, the focus will furthermore be on one of the strategies he analyzed, and that is apology, since it has been found that it is the most effective one (Brocato et al., 2012). The literature, however, used to focus more on the impact of issuing apology compared to no apology, lacking the insights on "how" an apology can be made, and how different apologies can affect the consumers. Taking the inspiration from Tsarenko & Tojib (2015), this research will replicate their variable focusing on the impact of having a full apology versus partial apology, however in different study conditions. This is crucial to explore because a poorly delivered apology can disrupt a relationship even further (Roschk & Kaiser, 2013). Additionally, prior studies on interpersonal relationships have discovered that people are more inclined to forgive someone who offers a genuine apology, rather than individuals who give insincere or self-protective responses (Tsarenko & Tojib, 2015). Considering that consumer-brand relationships can resemble interpersonal relationships, this research proposes that the same principle might apply to luxury brands when responding to transgressions, depending on whether they issue a full or partial apology.

As it was mentioned before, consumers can have different reactions to the brand's wrongdoing, that are usually unwanted by the brand (Grégoire, Tripp, & Legoux, 2009), since every brand's goal is to maintain the positive image. After analyzing the existent literature, this study will focus on the consumer's reactions in form of behavior, in contrast to many studies that previously analyzed the effect on brand trust, brand love and similar variables, which are predominantly cognitive. Within the dependent variable in this study, overall named "coping behavior" this thesis is going to explore how the apology or partial apology will affect consumers to switch to the competing brand, engage in negative eWOM on social media, and repurchase the brand in question. Thus, connecting the independent and dependent variable within this conceptual framework, this study hypothesizes that:

H1a: *A brand that responds with an apology leads to reduced chance for brand switching, compared to a brand that responds with a partial apology (apologia).*

H1b: *A brand that responds with an apology leads to reduced chance for negative digital WOM, compared to a brand that responds with a partial apology (apologia).*

H1c: *A brand that responds with an apology leads to increased chance for repurchasing, compared to a brand that responds with a partial apology (apologia).*

In order to overcome the violated consumer-brand relationship, consumers have to forgive the brand, as their forgiveness is one of the most important processes that will help re-establish the relationship (Fernández-Capo et al., 2017). Although this study primarily explores the impact of a brand's response on consumer coping behavior, it acknowledges the underlying process that influences this behavior. This recognition stems from the understanding that forgiveness operates as a mechanism facilitating relationship restoration or the alleviation of negative emotions (Xie & Peng, 2009). This is why many researches has been conceptualizing consumer forgiveness as the mediating variable, instead of dependent one (Tsarenko & Tojib, 2015; Fetscherin, & Sampeder, 2019; Sinha, & Lu, 2016). In line

with that, this study will also use the consumer forgiveness as a mediating variable. Moreover, this paper argues that behavioral construct, which has been mentioned previously within the literature review as the only component of the consumer forgiveness, can be in fact viewed as the outcome of the forgiveness, which is how this paper will explore it as well.

H2: *Consumer forgiveness mediates the relationship between the response type and coping behavior. In particular, a brand that responds to a transgression with an apology, leads to the greater consumer forgiveness.*

There is a question whether forgiveness and future behavior depend on one another. There are indeed, some situations where an individual might forgive, yet still opt for a competing brand, or conversely, choose not to forgive while remaining loyal to the same brand (Fetscherin & Sampedro, 2019). This is another reason why this study will explore forgiveness as a mediating variable, in order to understand if and how forgiveness can impact the consumer coping behavior.

H3a: *Consumer forgiveness mediates the relationship between the response type and brand switching. In particular, a higher level of consumer forgiveness will lead to lower brand switching.*

H3b: *Consumer forgiveness mediates the relationship between the response type and negative digital WOM. In particular, a higher level of consumer forgiveness will lead to lower negative digital WOM.*

H3c: *Consumer forgiveness mediates the relationship between the response type and repurchasing. In particular, a higher level of consumer forgiveness will lead to higher repurchasing.*

2.5.1 Generational cohort as a control variable

Age is frequently utilized as a control variable in research studies. Nevertheless, considering age alone does not contribute significantly to the broader understanding, due to the lack of shared characteristics among respondents that are beyond age, which can hinder our ability to derive conclusions regarding the underlying reasons for the observed results. Hence, this study will incorporate generational cohort as a control variable, acknowledging its relevance in accounting for shared experiences that shape the values and objectives of distinct cohorts (Goldring & Azab, 2021). As discussed within the literature review, these experiences can be big and impactful, such as war, and they also include economic and political changes, technological innovations, cultural icons and celebrities etc. Exposure to the particular experiences produces a gap between generations (Turner, 2015), creating in such way different cohorts.

Significant differences can be observed from the characteristics and behavior of Generation Y (Millennials) and Generation Z, especially when it comes to luxury brands and social media usage. For this reason, this study will explore the differences in consumer forgiveness and coping behavior following a brand transgression within these two market

segments. In addition, they are predicted to represent 70% of luxury spending by 2025 (Bain & Company, 2022), which is another reason for opting out for these two generational cohorts.

To the best of authors' knowledge, there is no research in the literature that explores the impact of (luxury) brand transgression within different generational cohorts. This study aims to address this gap by scrutinizing the contrasting consequences of this occurrence for Millennials and Generation Z. Through this investigation, the study aims to provide valuable insights into brand management, thereby enriching the existing body of knowledge. In alignment with common research practices wherein control variables typically don't necessitate specific hypotheses, this thesis also abstains from their inclusion. Instead, the impact of the control variable on dependent variables will be analyzed after all hypotheses inspection, to understand if there will be a difference between the two generational cohorts when it comes to their coping behavior.

2.6 Conceptual framework

To conclude, in line with the gaps found, this research opted out for exploration of transgressions in the domain of luxury brands. Notably, the study concentrated on the brand's post-transgression response (IV) driven by a curiosity about consumer reactions subsequent to apologies, as opposed to their reactions at the time of the transgression itself. The conceptual framework will furthermore analyze the mediating effect of consumer forgiveness, following up on the previously found insights of its effect on the restoration of consumer-brand relationship. Moreover, the study will inspect the effect of mentioned IV on the coping behavior of the consumer (DV), namely, brand switching, negative eWOM and repurchase intention. Lastly, the framework consists of control variable as well, which is going to be the generational cohort, and it is hypothesized that it will influence the results. The figure below (Figure 1) shows the conceptual framework of the thesis.

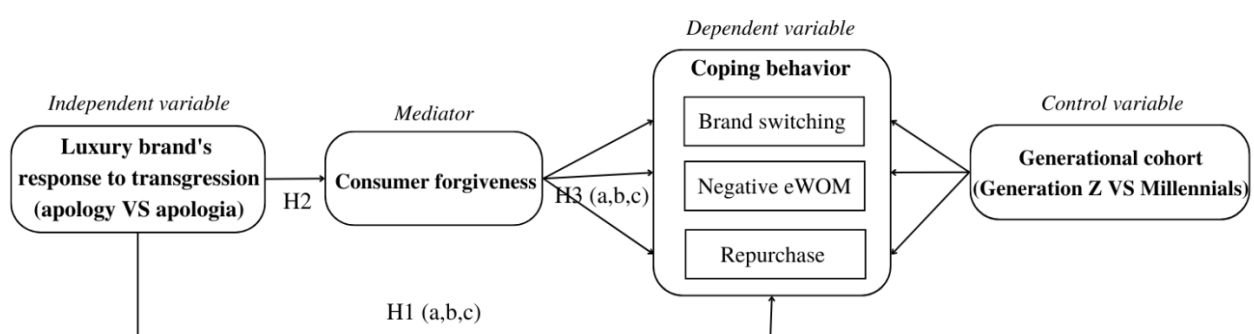


Figure 1

In conclusion, this study will try to answer the following questions:

RQ1: How does brand's response type influence consumers' coping behavior?

RQ2: Does the brand's response type affect the consumer forgiveness?

RQ3: How will the consumer forgiveness affect consumers' coping behavior, in particular, brand switching, negative digital WOM and repurchasing?

RQ4: How does generation (age) influence consumers' willingness to forgive and the consumers' coping behavior after brand transgression?

3 METHODOLOGY

3.1 Research design

To evaluate the previously posited hypotheses, this study employed a quantitative approach. The decision to use a quantitative research method, specifically a survey, for this study was driven by several factors. Firstly, a survey allows for the collection of a large amount of data from a diverse range of participants, providing a representative sample that can offer insights into a broader population. Additionally, there is an advantage of cost-effectiveness and efficiency in data collection, making it feasible to gather a substantial amount of responses within the scope of the study's timeline. Finally, the structured nature of surveys facilitates standardized data collection, which will reduce potential biases and ensure consistency in responses. The data was gathered through the electronic survey designed on Qualtrics¹. The survey has been distributed online, mostly through the use of social networking platforms WhatsApp, Instagram, Facebook and Messenger. Additionally, participants were encouraged to extend the survey to individuals within their social circles who met the stipulated criteria (Millennials and Generation Z). The sampling method employed was convenience sampling.

The main objective of this study is to analyze luxury brands, which is why it was necessary to include luxury brand consumers in the research. However, to ensure a comprehensive examination that encompasses not only the responses of luxury consumers but also those of the general consumer population, considering the widespread recognition and popularity of luxury brands, we opted to introduce a block in the survey dedicated to investigating consumers' attitudes toward luxury. Consequently, this research encompasses both luxury consumers and non-luxury consumers, offering a well-rounded perspective.

3.1.1 Stimuli

The aim of the survey was to present one out of two possible scenarios to each respondent. Subsequently, participants were requested to provide their opinion based on the presented scenario, by answering the questions. The scenarios given were representing the two conditions of the independent variable (luxury brand's response to transgression). Each scenario included its corresponding stimulus (full apology vs. partial apology). Constructed in two segments, the scenarios consisted of an initial narrative concerning a transgression involving an imaginary luxury Brand X (consistent across both scenarios). The second segment depicted Brand X's response to the transgression, with differing stimuli employed in each scenario.

The first segment of the story, which was the same in both scenarios and explained what happened with the Brand X, stated as follows:

¹ <https://www.qualtrics.com/>

“The luxury fashion Brand X recently released a campaign that sparked global outrage. The campaign showcased photographs of children wearing controversial attire and posing inappropriately. As a result, the brand faced accusations of promoting child exploitation.”

Then, the second part of the story in the first scenario which represented the full apology condition, stated as follows:

“In response to the widespread backlash, fashion luxury Brand X issued a statement expressing their apologies to their customers and anyone who was offended or harmed by the published photos. “We deeply regret the release of this campaign and offer our sincerest apologies. We acknowledge our mistake and take full responsibility,” stated Brand X in their official response.”

Since from the literature review it was found that the full apology possesses acceptance that the brand is responsible for the wrongdoings (Kim et al., 2004), the Brand X’s apology in this case explicitly articulated their acknowledgment of full responsibility for the incident. The same part of the story for the partial apology condition, on contrary, stated as follows:

“In response to the widespread backlash, fashion luxury Brand X issued a statement standing by their decision to involve children in the campaign. “We understand that our recent campaign has generated strong reactions and we are sorry about it. However, we firmly believe that showcasing children in this manner is a creative expression and not intended to exploit them,” stated Brand X in their official response.”

Alongside the written narrative, both stimuli included a complementary visual component. Specifically, a “screenshot” of a Brand X Instagram post showcasing an identical written apology as presented in the textual content was included. This visual element was strategically included with the intent of capturing the respondent’s focus, inducing active engagement with the narrative, and subsequently reiterating the stimulus. The underlying objective was to enhance the participant’s recollection of the material before proceeding with the questionnaire phase.

Given the dual nature of the independent variable (IV), a between-subjects questionnaire design 2x1 was chosen. Specifically, we developed a conclusive causal design. Under this design, conditions were randomly and evenly assigned to participants.

3.1.2 Survey Structure and Measurements

Regarding the whole survey structure, it was presented within eight blocks in total, including previously mentioned stimuli. The blocks are, as follows:

1. Introduction block, which presented the researcher, outlined the study, and established survey guidelines for expressing respondents’ opinions freely within the designated timeframe. Additionally, participants were assured of the utmost response anonymity,

as it is important to note that all the collected responses remained anonymous and could not be traced to individual respondents.

2. The following block consisted of questions which intended to explore consumers' attitudes towards luxury, considering that the phenomenon explored is with regard to the luxury brands. Attitudes toward luxury were measured through a 7-point bipolar Likert scale with three items taken from Dubois, Czellar, & Laurent (2005). This segment aimed to discern respondents' inclination towards luxury, their level of interest in it, and their identification as luxury consumers.
3. Third block contained instructions regarding the upcoming stimuli. Respondents were asked to imagine that they are familiar with the brand mentioned in the narrative, held a positive disposition towards it, and harbored either an intention to make a purchase or prior experience of purchasing from the brand.
4. & 5. Blocks 4 and 5 were dedicated each to one condition, full apology and partial apology. The structure of conditions were as described in the previous section, and by the employment of randomizer, it was ensured that conditions were randomly and evenly assigned to participants.
6. The following block consisted of mediator variable measures. Specifically, "Consumer forgiveness" was measured through a 7-point bipolar Likert scale adapted from Xie and Peng (2009) and Rye et al. (2001), and it encompassed four items. The aim was to understand if the phenomenon of consumer forgiveness will mediate the relationship between the brand's response following a transgression, and the following consumers' behavior.
7. Seventh block was dedicated to the dependent variable measures. This variable, called "Consumer coping behavior", was taken from Fetscherin & Sampedro (2019) who also used it as a DV in their research, and it is composed of three constructs each one measured by a 7-point bipolar Likert scale whose reliability and validity had already been established by previous studies.
 - a) *Brand switching* was measured by three items adapted from Romani et al. (2012), aiming to explore whether consumers would want to stop purchasing the brand in question and switch to another one.
 - b) *Negative eWOM* was measured by three items taken from Romani et al. (2012), with the goal to understand whether consumers would talk negatively of the brand on social media.
 - c) *Repurchase intention* was measured by two items adapted from Tsarenko & Tojib (2015).
8. Finally, the last block consisted of demographic questions, specifically, regarding the age, gender and nationality of the respondents. Age was an open question which will be used later in the analysis as the control variable.

3.2 Preliminary analysis

3.2.1 Data cleaning

Prior to establishing the ultimate sample used in the data analysis, it is important to note the data cleansing procedure. Only participants who completed the survey in its entirety without any missing data were considered for inclusion. Initially, the dataset encompassed 160 respondents. However, 27 responses were deemed invalid or incomplete, resulting in a cleaned final dataset consisting of 133 valid responses for subsequent analysis.

3.2.2 Sample

To obtain the responses quickly and conveniently, non-probability sampling method, specifically, convenience sampling method was used. Target population for this research was people belonging to Millennial generation and Generation Z, with no other prerequisites regarding gender, nationality, occupation, religion or other demographic and social determinants. The respondents were reached online, by the use of social media platforms such as Instagram, Whatsapp, Facebook and Messenger, and they were asked to share the survey further with their friends and relatives.

The final sample consisted of 133 respondents, with a gender distribution of 63% female and 37% male. The age range of the respondents spanned from 18 to 37 years old. It is worth noting that while Generation Z encompasses individuals aged 11 to 26 years, this survey specifically targeted those aged 18 and older. Conversely, Millennials were defined in this thesis as individuals aged 27 to 42, yet the maximum age among our survey respondents was 37. Consequently, the final sample comprised 65% Gen Z respondents (86 individuals) and 35% Millennials (47 individuals). The mean age of the participants was 26.6 years, with a standard deviation of 4.83. Additionally, the respondents represented a diverse set of nationalities, with 45% identifying as Serbian (60 respondents), 31.5% as Italian (42 respondents), 10.5% as Russian (14 respondents), 4.5% as Montenegrin (6 respondents), 4% as Swedish (5 respondents), 4% as Bosnian (5 respondents), and 0.5% as Croatian (1 respondent).

3.2.3 Scales reliability and validity

Upon gathering all the responses via the online platform Qualtrics, the data was transferred to SPSS software (Statistical Package for Social Sciences) to evaluate the significance of the research hypotheses.

Prior to proceeding with the primary analysis, the initial step involved assessing the reliability and validity of the scales used. These scales were previously validated in prior research studies and were subsequently adopted for this study. However, given the adaptation of the scales, it is important to reevaluate their reliability and validity. Validity, in this context, refers to the scale's ability to accurately measure the intended construct. Conversely,

reliability refers to the consistency and stability of the measurements, ensuring that they yield similar outcomes when administered multiple times under similar conditions.

First, the reliability test was conducted in order to evaluate the overall trustworthiness and consistency of each scale employed within the conceptual model. This involved assessing the Cronbach's alpha coefficient, which is a measure of internal consistency. For a scale to be considered reliable, the Cronbach's alpha value should typically exceed 0.6. What was found for all the scales in the model was that they all exhibited Cronbach's alpha coefficient exceeding the 0.6 threshold. Table 1 displays Cronbach's alpha for each construct used in the study. This indicates that the items within each scale share a high degree of internal consistency, meaning that they measure the same underlying construct reliably, making each scale reliable for further analysis.

Scale	Number of items	Cronbach's alpha
Attitude toward luxury	3	.826
Brand forgiveness	4	.892
Brand switching	3	.925
Negative eWOM	3	.911
Repurchase intention	2	.936

Table 1: Cronbach's alpha measures

In order to validate all the items for the scales used in the model, factor analysis was performed. To arrive there, two statistical tests were employed to ensure the validity and suitability of the data for factor analysis: the Kaiser-Meyer-Olkin (KMO) test and the Bartlett's test of sphericity. Initially, the KMO test was used to assess to the adequacy of the sample, specifically to determine if the data is suitable for factor analysis by assessing the intercorrelation of variables. Typically, KMO values greater than 0.6 are considered acceptable for factor analysis. In this analysis, all the scales demonstrated KMO values surpassing the 0.6 threshold, indicating that the dataset contains a satisfactory level of shared variance among variables, thus making it suitable for factor analysis. Subsequently, Bartlett's test of sphericity was used to assess whether the correlations between the variables significantly deviate from zero, which is a prerequisite for conducting factor analysis. The outcomes of the analysis showed that all the factorial outputs from the Bartlett's test were validated (<.001), further affirming the strong relationship between variables.

The Principal Component Analysis (PCA) extraction method was employed to reduce data complexity, and Varimax rotation was used to simplify the interpretation of the factors. Subsequently, the Kaiser rule was applied, considering components with Eigenvalues greater than 1 and a cumulative variance exceeding 6% as relevant for extraction. In addition to these steps, the communalities table and the component matrix were examined for all scales, namely: Attitudes toward luxury, Consumer forgiveness, Brand switching, Negative eWOM and Repurchase intention. This has been done in order to assess the suitability of the components, and ensure that all variables were adequately represented by the extracted

components. It was discovered that all items within the chosen scales showed an extraction value higher than 0.5 and a loading value greater than 0.3. These values indicate the strength of each variable's association with the extracted components. In essence, an extraction value above 0.5 suggests that the variable is well-represented by the underlying components, while a loading value exceeding 0.3 signifies a substantial correlation. Based on these findings, we were able to conclude that all the items within the scales were valid and retained for further analysis.

3.4 Main test and results

After conducting factor analysis and reliability testing to verify and validate the items for each of the five scales utilized in the research's conceptual model, an evaluation of all research hypotheses has been assessed.

3.4.1 One-Way ANOVA Test

The survey employed a between-subject design, where two conditions of the independent variable (IV) were randomly assigned to respondents. As a result, three separate mean comparisons were conducted between the IV and each construct within the dependent variable (DV). In order to examine the direct effect of the IV on the three constructs of the DV (Brand switching, Negative eWOM, and Repurchase intention), a One-Way ANOVA was employed. Prior to conducting the ANOVA, a new dummy variable IV was created, with both conditions recorded as follows: "Stimulus 1" (full apology) was coded as 1, and "Stimulus 2" (partial apology) was coded as 0.

Following this, the initial relationship in the study was explored, which focused on the Independent Variable (IV), specifically the Luxury Brand's response type, and its impact on the first component of the Dependent Variable (DV), namely Brand Switching behavior. We utilized a One-Way ANOVA to assess this relationship. The ANOVA table yielded a significant result with a p-value of 0.001. This p-value is notably lower than the predefined significance level ($\alpha=0.05$), indicating a statistically significant effect of the Independent Variable on the first component of the Dependent Variable (DV1). To gain deeper insights, we referred to the Descriptives table. Here, we observed that participants exposed to the Stimulus coded as 0 (partial apology) exhibited a Brand Switching mean of 5.3434. In contrast, participants exposed to the Stimulus coded as 1 (full apology) had a lower Brand Switching mean of 3.3731. These findings suggest that the type of response from the Luxury Brand significantly influences Brand Switching behavior among participants. Specifically, those exposed to a partial apology tend to exhibit a higher level of Brand Switching compared to participants exposed to a full apology. Conclusively, this confirmed the first hypothesis (H1a).

H1a: *A brand that responds with an apology leads to reduced chance for brand switching, compared to a brand that responds with a partial apology (apologia).*

We continued by exploring the second relationship, namely the one between the IV and the second construct of the DV, which is Negative eWOM. Once again, One-Way ANOVA test was employed, and the p-value was 0.001, again substantially lower than our predetermined significance level ($\alpha=0.05$), which reaffirms the statistical significance of the Independent Variable's influence on the DV2, Negative eWOM. Through the observation of the Descriptives table it was noted that participants who were exposed to the Stimulus coded as 0 (partial apology) displayed a Negative eWOM mean of 4.4495. In contrast, participants who encountered the Stimulus coded as 1 (full apology) recorded a notably lower Negative eWOM mean of 2.9303. These findings underscore the considerable impact of the IV on Negative eWOM (DV2). Specifically, participants exposed to full apology tended to generate lower chance for Negative eWOM compared to those exposed to a partial apology, once again confirming the hypothesis (H1b).

H1b: *A brand that responds with an apology leads to reduced chance for negative digital WOM, compared to a brand that responds with a partial apology (apologia).*

Finally, we moved on with the exploration of the third relationship, between the IV and the DV3 (Repurchase intention). ANOVA table again showed the p-value being equal to 0.001, demonstrating the statistical significance of the effect of the IV on the DV3. From the Descriptives table, we noticed that participants who were exposed to the partial apology recorded a Repurchase intention mean value of 2.2273, while participants who saw a full apology recorded a Repurchase intention mean equal to 4.2985. This shows the considerable influence of the IV on Repurchase Intention (DV3), and individuals exposed to a partial apology exhibited lower Repurchase Intention compared to those exposed to a full apology. Third hypothesis was, therefore, confirmed as well.

H1c: *A brand that responds with an apology leads to increased chance for repurchasing, compared to a brand that responds with a partial apology (apologia).*

	p	Mean _{Stimulus 0}	Mean _{Stimulus 1}	Hypothesis
Effect of IV on DV1 (H1a)	0.001	5.3434	3.3731	✓
Effect of IV on DV2 (H1b)	0.001	4.4495	2.9303	✓
Effect of IV on DV3 (H1c)	0.001	2.2273	4.2985	✓

Table 2: Summary of results

Although not initially included in our hypotheses, we conducted an additional analysis to explore the effect between Attitude toward luxury and the IV. This variable was recoded into a new format for a more streamlined analysis. We once again employed a One-Way ANOVA to explore this relationship. The results revealed a p-value of less than 0.030, indicating a statistically significant relationship between Attitude toward luxury and the IV. Moreover, participants exposed to the partial apology exhibited an average Attitude toward luxury mean value of 3.3030, whereas those who encountered the full apology recorded a slightly lower mean of 2.7910. This finding suggests that the participants' attitudes toward

luxury may indeed influence type of brand response to the transgression, represented by the IV. Although this relationship was not initially hypothesized, it highlights a noteworthy aspect of consumer behavior and provides valuable insights into the broader impact of brand responses on consumer attitudes.

3.4.2 Mediation analysis

To investigate the second hypothesis (H2), we conducted mediation analysis using a series of three regression analyses. This analysis was performed using Model 4 from the PROCESS macro version 4.0, developed by Andrew F. Hayes. The aim was to explore the indirect effects mediated by the Consumer Forgiveness construct between the IV and the DV. Mediation significance was assessed by splitting the indirect effect into two parts: the first part examined the relationship between the IV and the mediator M (Consumer Forgiveness) to test H2, while the second part examined the relationship between M and the DVs, allowing us to test all three parts of H3 (a, b, c).

Across these regression analyses, a common relationship emerged, specifically the relationship between the IV and the mediator (Consumer Forgiveness). In this relationship, we observed a highly significant p-value of 0.0000, a favorable confidence interval (Lower Limit of Confidence Interval, LLCI=2.3915; Upper Limit of Confidence Interval, ULCI=1.5554), and a positive β coefficient of 1.9734. These results provide evidence of a significant and positive effect between the Independent Variable (IV) and the mediator (Consumer Forgiveness). This finding underscores the influence of the IV on Consumer Forgiveness, affirming that variations in the IV are associated with meaningful changes in the mediator, therefore confirming the H2.

H2: *Consumer forgiveness mediates the relationship between the response type and coping behavior. In particular, a brand that responds to a transgression with an apology, leads to the greater consumer forgiveness.*

With this important step finished, we proceed to further explore the mediation effects to gain a comprehensive understanding of how Consumer Forgiveness mediates the relationship between the IV and the DVs.

Brand switching: For the first regression analysis, upon reviewing the SPSS output, we uncovered a highly significant p-value of 0.0000. Additionally, we found a favorable confidence interval with a LLCI of 0.8756 and an ULCI of 1.1170. The positive β coefficient of 0.9963 further affirmed these results. These findings provide compelling evidence of a significant effect between the mediator, Consumer Forgiveness, and the first Dependent Variable (DV1), which is Brand switching.

Negative eWOM: For the second regression analysis, a similar pattern emerged. Examination of the output revealed a highly significant p-value of 0.0000, as well as a favorable confidence interval (LLCI=0.7109; ULCI=1.0342) and a positive β coefficient of

0.8726. These results firmly establish a significant effect between the mediator, Consumer Forgiveness, and the second Dependent Variable (DV2), Negative eWOM.

Repurchase intention: The pattern persisted in the third regression analysis as well. The output showed, once again, a significant p-value of 0.0000. The confidence interval for this analysis was also favorable, with an LLCI of 0.8565 and a ULCI of 0.6278, along with a positive β coefficient of 0.7421. These findings provide strong evidence of a significant effect between the mediator, Consumer Forgiveness, and the third Dependent Variable (DV3), which represents Repurchase intention.

	p	LLCI	ULCI	β	Hypothesis
Brand switching (H3a)	0.0000	0.8756	1.1170	0.9963	✓
Negative eWOM (H3b)	0.0000	0.7109	1.0342	0.8726	✓
Repurchase intention (H3c)	0.0000	0.8565	0.6278	0.7421	✓

Table 3: Summary of results

In sum, across all three regression analyses, we consistently observed highly significant p-values, robust confidence intervals, and positive β coefficients, as showed in the Table 2. These results collectively demonstrate the substantial and statistically significant effects of the mediator, Consumer Forgiveness, on all three Dependent Variables, reaffirming the role of Consumer Forgiveness as a mediating factor in the relationships between the Independent Variable (IV) and the various aspects of consumer behavior. Therefore, we have confirmed all three parts of the H3.

3.4.3 Control variable testing

After successfully demonstrating the overall effectiveness of all models and confirming our hypotheses, we conducted an additional analysis pertaining to the control variable, which is the generational cohort. Based on the age ranges provided in the previously referenced sources, we categorized the ages of all participants in the dataset into two distinct groups: Generation Z (18 to 26 years old) and Millennials (27 to 42 years old). Subsequently, we conducted four separate One-Way ANOVA tests to examine the statistically significant differences between these two groups in relation to the three dependent variables (DV1, DV2, and DV3) as well as the mediator variable. Specifically, we evaluated the impact of the stimulus, which was coded as 0 (partial apology) and 1 (apology), on various aspects of consumer behavior.

Brand Switching: The ANOVA analysis yielded a p-value of 0.509, which is higher than the significance level ($\alpha=0.05$). This result indicates that the effect of the Stimulus on DV1 is not statistically significant. Furthermore, examination of the descriptive statistics table showed that participants exposed to the partial apology had a DV1 mean of 4.2128, while those who encountered the full apology recorded a DV1 mean of 4.4264. These means

are nearly identical, suggesting that participants of these two generations did not demonstrate a significant difference in attitude toward Brand Switching based on the type brand's apology.

Negative eWOM: Similar to DV1, the ANOVA analysis resulted in a p-value of 0.203, which exceeds the significance level ($\alpha=0.05$), meaning that the effect is not statistically significant. Examining the descriptive statistics, participants exposed to the partial apology had a DV2 mean of 3.4255, while those exposed to the full apology recorded a DV2 mean of 3.8256. These means are nearly identical, indicating no significant difference in attitude regarding Negative eWOM based on the type of stimulus in two generations examined.

Repurchase Intention: Once again, the ANOVA analysis produced a p-value of 0.975, surpassing the significance level, suggesting that the effect is not statistically significant. Examining the descriptive statistics, participants exposed to the partial apology had a DV3 mean of 3.2766, while those exposed to the full apology recorded a DV3 mean of 3.2674. As these means are again almost identical, there is no significant difference in attitude regarding Repurchase Intention in two generations taken into account.

Consumer Forgiveness: Similarly, the ANOVA analysis resulted in a p-value of 0.427, which is above the significance level. This implies that the effect of the Stimulus on the Mediator is not statistically significant. Examining the descriptive statistics, participants exposed to the partial apology had a Mediator mean of 4.8723, while those exposed to the full apology recorded a Mediator mean of 4.6453. These means are once again nearly identical, indicating no significant difference in attitude of two generations regarding Consumer Forgiveness based on the type of stimulus.

In summary, for all three Dependent Variables (DV1, DV2, DV3) and the Mediator, the type of stimulus (full or partial apology) did not yield statistically significant differences in the attitudes of Generation Z and Millennials. These results demonstrate that the control variable did not significantly impact the observed attitudes and behaviors in the study.

4 GENERAL DISCUSSION & IMPLICATIONS

4.1 Summary of main findings

The focal point of this research is within the domain of brand management in addressing brand crises, with a particular emphasis on luxury brands. Luxury brands are globally recognized and wield considerable influence, yet unfortunately, they frequently find themselves in the crosshairs of consumer complaints and controversies. Even with the best efforts of their brand managers to avoid such situations, crises or mishaps are, in the end, inevitable. The question that emerges is: what to do after? This study aimed to investigate the impact of different types of apologies issued by luxury brands following transgressions on consumer behavior. Furthermore, it sought to investigate whether consumers could extend forgiveness and how this forgiveness would mediate their subsequent coping behavior, encompassing the intent to switch to alternative brands, engage in negative electronic word-of-mouth (eWOM), and repurchase the brand's products. Additionally, the research delved into the generational differences in consumer reactions, with a specific focus on contrasting responses from Generation Z and Millennials.

Based on the conceptual framework developed for this study, we formulated and assessed three distinct hypotheses to illuminate the relationships between variables. The first hypothesis aimed to explore the main effect, or the relationship between the type of apology offered by a luxury brand and the coping behaviors exhibited by consumers. Drawing upon insights from the literature review, we posited that when a luxury brand responds to a transgression with a full apology, it would reduce the likelihood of customers switching to alternative brands and engaging in negative eWOM. Conversely, we anticipated that such a full apology would increase the likelihood of customers repurchasing the brand's products. The empirical findings through data analysis showed that the effect of a luxury brand's full apology was found to exert a positive and statistically significant influence on each variable within the dependent variable framework. This confirmed the first hypothesis and its individual components, denoted as H1a, H1b, and H1c.

Subsequently, our study aimed to assess the impact of a mediator on the relationship between the independent variable (IV) and the dependent variable (DV). More specifically, the aim was to examine the mediating role of consumer forgiveness in this context. The rationale behind this investigation stems from our literature review, which highlighted that consumer forgiveness can play a pivotal role in restoring the relationship between consumers and the brand, while also mitigating negative emotions. In order to overcome the violation in their relationship with the brand, consumers have to forgive it first. As a result, we delved into four distinct relationships: the relationship between the independent variable (IV), which is the type of apology issued by the luxury brand, and the mediator, consumer forgiveness; and subsequently, the relationships between the mediator and all three dependent variables (DVs). We initiated our analysis by examining the relationship between the IV and mediator. Employing regression analysis, specifically utilizing Model 4 from the PROCESS macro

version 4.0, our findings unveiled highly significant results. These findings were reflected in highly significant p-value, a favorable confidence interval, and positive β coefficient. Collectively, these outcomes provided robust evidence supporting a significant and positive influence of the mediator on the IV, thereby confirming our second hypothesis.

Following this step, our analysis progressed to employing regression analysis on the relationships between the mediator and the three dependent variables (DVs), which include brand switching, negative eWOM, and repurchase intention. The overarching objective was to discern whether consumer forgiveness and future consumer behavior were interrelated. Our initial hypothesis posited that such a relationship existed, although the literature acknowledged instances where this connection might deviate from the norm, such as consumers who forgive a brand yet still opt for a competing one. As was the case in our examination of the relationship between the IV and the mediator, we uncovered that all three relationships in this analysis held considerable significance. Each relationship was characterized by a favorable confidence interval and a positive β coefficient, reaffirming our hypothesis that consumer forgiveness mediates the relationship between the type of luxury brand's response and subsequent consumers' coping behaviors. To interpret, a heightened level of consumer forgiveness was found to correlate with lowered brand switching and negative eWOM, but an increased intention to repurchase. This confirmed our third and final hypothesis, thereby shedding light on the pivotal role of consumer forgiveness in influencing consumer responses to luxury brand crises within the context of brand management in this study.

While not specifically included in our hypotheses, in adherence to established research conventions, this study also undertook an exploration of potential variations in coping behaviors between two distinct consumer generations: Millennials and Generation Z. As a result, we introduced generational cohort as a control variable for our dependent variables (DVs). Interestingly, our analysis of the dataset failed to reveal statistically significant differences in the coping behaviors between Generation Z and Millennials across all dimensions. Although existing literature often highlights distinctions in consumer behavior between these two generational groups, our findings suggest that, in the context of consumer forgiveness and coping behaviors, they exhibit relatively similar patterns. Potential limitations and suggestions for future research in this domain will be further developed within this chapter.

4.2 Theoretical implications

The primary objective of this study was to address gaps in the existing body of knowledge related to brand crisis management, with a specific focus on the luxury sector. As discussed previously, the literature has been somewhat deficient in offering comprehensive insights into the realm of luxury brand transgressions, which was the first gap that this research aimed to fill. Additionally, the study aimed to investigate the impact of two different types of apologies employed by luxury brands, addressing yet another identified gap in the literature. Furthermore, this research aspired to augment the theoretical discourse on

consumer forgiveness and coping strategies following to a luxury brand crisis, with an emphasis on discerning potential disparities between two distinct generational cohorts. Taken together, this study revealed that there is indeed a different impact on consumer forgiveness and coping behavior depending on which type of apology (full or partial) the luxury brand employed. Specifically, our findings validated the hypotheses positing that a full apology, as opposed to a partial one, reduces consumers' inclination to switch to competing brands and diminishes their proclivity to engage in negative eWOM on social media platforms. In contrast, the full apology was found to have a positive impact on repurchase intentions. Additionally, our research confirmed the mediating role of consumer forgiveness in this process. However, it is worth noting that our study did not unearth any discernible distinctions in coping behavior between Millennial and Generation Z consumers. Subsequent sections of this thesis will suggest potential avenues for future research aimed at uncovering generational differences in behavior. These findings collectively made contributions to the existing theoretical framework in many ways.

To begin with, this research significantly enriches the broader body of literature concerning luxury brand management by shedding light on consumers' responses when transgressions take place. Due to the lack of insights on this topic in the literature, we can even state that this study has initiated a new research stream, which can be further explored in the future. This contribution bears particular significance due to the leading role that luxury brands play within the industry, as highlighted by Choi (2014). Since there is no question if the transgression will occur but rather when (Ran, Wei & Li, 2016), our study assumes paramount importance as it augments the understanding of such occurrences and their repercussions on consumers. Moreover, prior studies have hinted at the heightened vulnerability of luxury brands to transgressions (Hemonnet-Goujout et al., 2022). Consequently, our research embarked on an exploration of how these transgressions affect consumers, thereby adding a valuable layer of knowledge to the existing literature on this subject.

Subsequently, this study makes a valuable contribution to the field of crisis communication management, a stream of research of strategies employed by brands when the crisis happens. To begin with, previous literature gave insights on consumer-brand relationship, confirming that it is endangered when the transgression takes place (Aaker et al., 2004), which is significant due to the importance of this relationship (Fournier, 1998). That is why brands have to employ a strategy to recover the trust, and therefore, the relationship with the consumer. Within the existing literature, it has been well-established that one of the most effective strategies for achieving this restoration is the act of apologizing (Brocato, Peterson, & Crittenden, 2012). Apology inherently involves the acceptance of responsibility (Benoit, 1997; Kim et al., 2004), a component sometimes overlooked by brands in their crisis communication efforts. Hence, this study embarked on an exploration of consumer reactions when apologies differ in the degree of responsibility acceptance, distinguishing between a full apology and a partial apology. Different from prior research, our study makes a significant contribution by delving into the effects of varying degrees of apology, thereby expanding the literature. Our findings reveal discernible differences in consumer behavior

based on the type of apology employed, elucidating the pivotal role of apology as a strategic tool for the restoration of brand image.

Moreover, this study contributes to the comprehension of consumer behavior by investigating the pivotal role of consumer forgiveness when brand transgressions take place, focusing on its mediating role. Previous research already discovered that, in order to overcome negative emotions of consumers after the crisis, forgiveness has to take place (Fetscherin & Sampedro, 2019). Our research has verified that consumers' relationship with the brand can undergo restoration through the forgiveness process. Like other research that used consumer forgiveness as the mediating variable, instead of dependent one (Tsarenko & Tojib, 2015; Fetscherin, & Sampedro, 2019; Sinha, & Lu, 2016), this research also did, confirming that it indeed mediates the relationship between the luxury brand's response and consumers' coping behavior. In addition, the literature is enriched by the findings of this study that refer to the consumer's behavior following a transgression. In particular, we contribute to the theory of brand management with the knowledge on consumers' intention to engage in brand switching, negative eWOM and repurchasing when transgression happens and brand apologizes.

Finally, we contribute to the existent body of literature that profoundly lacks insights on generational differences in consumer coping behavior following a transgression. Even though this particular study didn't find differences in behavior of Generation Z and Millennial consumers, we can say that it, again, opened a new research stream that concerns differences that exist between consumers as something worth exploring in today's diverse market.

4.3 Managerial implications

This study has also provided some implications that could be useful to the brand managers who are navigating risky waters of managing luxury brands and avoiding crises.

The main aim of this study was to give managers insights on luxury brands transgressions overall, showing that it is important to use the right strategy in order to facilitate more positive than negative consumer reactions. Since luxury consumers can have higher emotional involvement when it comes to the process of decision-making (Atwal & Williams, 2017), it is of great importance to assure their emotions don't become negative to the point where the relationship will break. That is why we advise brand managers to carefully approach the process of choosing the strategy after the brand mishap, and that they should opt for an apology. However, even in this process of crafting the apology, they need to pay attention in order not to create unwilling reaction of the public by apologizing partially, which can further increase negative emotions. The central advice here is to accept the responsibility: brand shouldn't blame someone else for the transgression that happened to it. Instead, it should accept the responsibility, and apologize for the mistake.

Moreover, this study provides practical insights on how consumers will react when the brand issues partial apology compared to the full one. This prepares brand managers to know

which kind of behavior to expect when they employ a certain strategy. In case of the full apology, which is advised, consumers will have lower inclination towards switching to another brand and engaging in the negative eWOM on social media. Alternatively, they will have heightened repurchase intention if the brand accepts the responsibility and apologized fully.

When it comes to different generations in the luxury market, Generation Z and Millennials will react quite the same when it comes to forgiveness and coping behavior. This implies that brand managers should employ the same strategy, meaning the full apology, in order to facilitate positive reactions from both generations mentioned, which currently make up the biggest part of luxury consumers.

4.4 Limitations and future research

In light of the aforementioned theoretical contributions to the existing literature and the practical insights provided for brand managers, it is important to acknowledge that, like all research endeavors, this study has its limitations. Considering the relatively limited exploration of the topic of brand transgressions within the luxury domain, which is constantly evolving, we recognize the potential for future research interest in this area. In this regard, we will outline the limitations of this study that could be addressed for further investigation in future studies.

The initial limitation refers to the sample size, which, while encompassing diversity in terms of age and nationality, remained relatively small. Additionally, it did not exclusively consist of luxury consumers, which is an aspect that assures a more comprehensive investigation. It would also be worth exploring more in depth the disparities in reactions between luxury and non-luxury consumers, as both cohorts can significantly influence a brand's reputation and image. It is important to note that while the sample may not precisely represent a luxury customer base, its composition does not compromise the external validity of the study. Nevertheless, replicating the study with a focus on luxury customers exclusively would undoubtedly enhance the precision of the findings and amplify the practicality and relevance of the implications for luxury brand managers.

Furthermore, as this study did not manage to prove discernible differences in coping behaviors between Generation Z and Millennial consumers, it presents an opportunity for future research to explore and scrutinize potential disparities among various generational cohorts, including more distinct groups like Generation X. Another potential limitation regarding the sample refers to the socio-demographic variables, such as ethnicity, nationality, education level, and income. The study could be replicated while considering these variables and conduct an in-depth analysis of how consumer behavior varies in response to these demographic distinctions. This holistic approach would offer valuable insights into the nuanced influences on consumer coping strategies.

A notable limitation of this study relates to the research methodology chosen. Although a quantitative approach was used, it is important to recognize the potential

advantages of incorporating a qualitative method, which could provide more detailed and specific insights. The decision to use a survey and, therefore, a quantitative approach, was primarily driven by considerations of efficiency, cost-effectiveness, and the ability to gather a large number of responses. However, if there is a desire to delve deeper into the complexities of these responses, a qualitative methodology becomes the preferred option. This alternative approach, although more time-consuming and analytically demanding, holds the potential to offer a deeper and more comprehensive understanding of consumer behavior, making it a valuable avenue for further investigation in this study. Furthermore, this study also used a traditional method which requires self-reported data. With the technology advancements, today we can do marketing research combined with neuroscience. Therefore, this study could also be replicated with the employment of neuromarketing methods that utilize devices such as eye-tracking, GSR (galvanic skin response) and EEG (electroencephalogram). This innovative approach would give us insights into customers' motivations, preferences, and decisions, as thanks to these devices we can measure arousal, attention, as well as brain activity in "real time".

Based on the previously mentioned limitation regarding the sample, future research on this topic can do a cross-cultural analysis. It could be investigated how cultural factors impact consumer forgiveness and coping behavior when it comes to brand transgressions within the luxury sector. The sample of this study was from European countries, which excludes big consumer markets such as US and China. It would be noteworthy understanding if there are cultural nuances across different continents or countries.

Future research could also investigate the role of digital and social media in shaping consumer reactions to brand transgressions in the luxury domain. The role of social media has a growing impact on luxury sector, and as mentioned in this study, here exists a gap in the literature, which future research could address. This study did measure negative eWOM spread through these platforms, but the future research could focus on exploring how online platforms amplify or mitigate the impact of such incidents.

Furthermore, minding the gap in the domain of transgressions in luxury sector, future research can do a comparative analysis with non-luxury brands. It could compare consumer reactions to brand transgressions in luxury brands with those in non-luxury brands. Moreover, it could assess whether luxury brands are different standards and if consumer reactions vary accordingly. Also, it could explore different strategies employed by brands when they try to recover from brand transgressions. This research solely focused on apology, but future one can investigate other practices and assess their effectiveness in restoring brand trust.

4.5 Conclusion

As a final conclusion, even though the study presented has its limitations and assumptions that were not confirmed, overall it has made valuable contributions to the existing literature and provided practical advice for brand managers. My goal was to initiate exploration and discussion on transgressions within the luxury brand industry, as these

occurrences do happen. Furthermore, I aimed to explore how consumers react when luxury brand apologize partially, which I (and as confirmed by the findings, other consumers) find insincere, and when they accept their responsibility and apologize for the mistake they made, which was proven to be the better approach.

Inspired by the recent mishap of Balenciaga, which didn't face public reactions as good as it could have if the brand management was more aware of potential risks, my aim was to contribute to the extensive literature on luxury brands, but this time, in the domain of transgressions. Despite the apparent expectation that brands should react quickly and apologize following a crisis event, the aforementioned example demonstrates that some luxury brands remain unaware of the consequences of overlooking crucial details, such as how to apologize. As of September 2023, when this study was concluded, Balenciaga is still grappling with the repercussions of their Christmas campaign from the previous year, and they have reported undergoing internal reorganizations since June 2023. Their Instagram page continues to receive numerous negative comments, leading them to restrict commenting on many of their posts. Therefore, the luxury industry, which is experiencing continuous growth, must recognize the impact of their actions and learn how to mitigate negative reactions when unexpected or overlooked incidents occur.

This study has shown that a luxury company that values its image must possess the necessary knowledge to safeguard it during times of crisis. They must understand that consumers are actively attentive to their promotions. The power of social media has empowered consumers to become "co-creators" and can significantly impact brands, particularly during a brand crisis. Moreover, it can amplify negative reactions when a brand makes a mistake. As demonstrated by this research, if a brand fails to apologize appropriately by accepting responsibility, consumers will take notice and respond accordingly by switching to a competitor's brand, sharing negative comments on social media, and refraining from repurchasing the brand in question. Therefore, luxury brands must take proactive measures to facilitate forgiveness from consumers, as it can have a substantial impact on their behavior. If forgiveness is achieved, consumers may return to the brand. A luxury brand should capitalize on this opportunity to retain their consumers, rather than jeopardize their reputation, image, and sales by assuming that consumers will forgive any statement made during a crisis.

"Fashion is ephemeral, dangerous and unfair."

Karl Lagerfeld

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APPENDIX A

SURVEY FLOW

Hello! My name is Aleksandra Pesic and I am a Marketing student at the LUISS Guido Carli University in Rome. I am currently undertaking research for my master's thesis and would greatly appreciate your participation by sparing a few minutes to answer a short survey.

Rest assured that your responses will be used solely for academic purposes, treated with confidentiality, and kept completely anonymous. The survey will only require approximately 5 minutes of your time. Please feel free to provide your answers openly and honestly, as there are no right or wrong responses.

Thank you for your contribution!

Please rate on a scale from 1 (strongly disagree) to 7 (strongly agree) to what extent you agree or disagree with the following statements **regarding luxury fashion products**.

Adapted from Dubois, Czellar, & Laurent (2005)

All things considered, I rather like luxury.

I'm not interested in luxury.

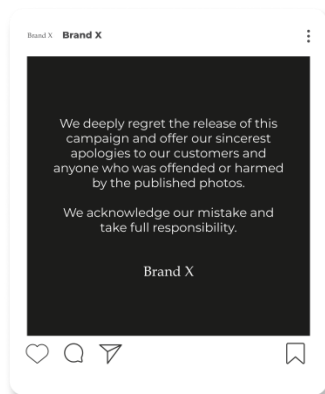
I almost never buy luxury products.

Shortly you will see a story about a **luxury brand campaign that created strong public disapproval**, and the **brand's reaction**, that you should carefully read. Imagine that this is the brand you like and had intention to purchase from, or you already purchased before.

Afterwards, you will be asked to answer some questions.

STIMULUS 1 The luxury fashion Brand X recently released a campaign that sparked global outrage. The campaign showcased photographs of children wearing controversial attire and posing inappropriately. As a result, the brand faced accusations of promoting child exploitation.

In response to the widespread backlash, fashion luxury Brand X issued a statement expressing their apologies to their customers and anyone who was offended or harmed by the published photos. "We deeply regret the release of this campaign and offer our sincerest apologies. We acknowledge our mistake and take full responsibility," stated Brand X in their official response.



STIMULUS 2 The luxury fashion Brand X recently released a campaign that sparked global outrage. The campaign showcased photographs of children wearing controversial attire and posing inappropriately. As a result, the brand faced accusations of promoting child exploitation.

In response to the widespread backlash, fashion luxury Brand X issued a statement standing by their decision to involve children in the campaign. "We understand that our recent campaign has generated strong reactions and

we are sorry about it. However, we firmly believe that showcasing children in this manner is a creative expression and not intended to exploit them,” stated Brand X in their official response.



You will now be asked a few questions regarding the story you read.

Please rate on a scale from 1 (strongly disagree) to 7 (strongly agree) to what extent you agree or disagree with the following statements.

Adapted from Xie and Peng (2009) and Rye et al. (2001)

I feel resentful toward this brand for creating the campaign.

I become upset when I think about how this brand misleads me.

Given the company's response, I would condemn it.

Given the company's response, I would forgive it.

Please rate on a scale from 1 (strongly disagree) to 7 (strongly agree) to what extent you agree or disagree with the following statements.

Adapted from Romani et al. (2012)

I would say negative things on social media about Brand X to others.

I would discourage friends and relatives to follow Brand X on social media.

I would recommend not following Brand X on social media to someone who seeks my advice.

Please rate on a scale from 1 (strongly disagree) to 7 (strongly agree) to what extent you agree or disagree with the following statements.

Adapted from Romani et al. (2012)

I intend on purchasing this brand.

I will buy this brand next time I buy luxury brand products.

What is your age?

What is your gender?

What is your nationality?

APPENDIX B

RELIABILITY TEST

Consumer forgiveness

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.892	.900	4

Table 4: Reliability Statistics for Consumer forgiveness

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
- I feel resentful toward this brand for creating the campaign.	13.74	25.480	.740	.709	.873
- I become upset when I think about how this brand misleads me.	13.99	26.220	.738	.673	.877
- Given the company's response, I would condemn it.	14.48	19.282	.875	.829	.817
- Given the company's response, I would forgive it.	14.49	20.555	.762	.770	.868

Table 5: Item-Total Statistics for Consumer forgiveness

Brand switching

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.925	.926	3

Table 6: Reliability Statistics for Brand switching

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
- I would buy Brand X less frequently than before.	8.32	13.369	.878	.773	.869
- I would stop buying Brand X and will not buy it anymore.	8.78	12.445	.846	.730	.895

- I would switch to a competing brand.	9.01	13.447	.822	.683	.911
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Table 7: Item-Total Statistics for Brand switching

Negative eWOM

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.911	.911	3

Table 8: Reliability Statistics for Negative eWOM

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
- I would say negative things on social media about Brand X to others.	7.53	14.039	.718	.575	.953
- I would discourage friends and relatives to follow Brand X on social media.	7.30	11.651	.920	.875	.788
- I would recommend not following Brand X on social media to someone who seeks my advice.	7.28	11.687	.838	.834	.859

Table 9: Item-Total Statistics for Negative eWOM

Repurchase intention

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.936	.936	2

Table 10: Reliability Statistics for Repurchase intention

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
- I intend on purchasing this brand.	3.16	2.679	.880	.775	.896
- I will buy this brand next time I buy luxury brand products.	3.38	2.708	.880	.775	.871

Table 11: Item-Total Statistics for Repurchase intention

FACTOR ANALYSIS

Consumer forgiveness

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.700
Bartlett's Test of Sphericity	Approx. Chi-Square	420.510
	df	6
	Sig.	<.001

Table 12: KMO and Bartlett' Test for Consumer forgiveness

Communalities

	Initial	Extraction
- I feel resentful toward this brand for creating the campaign.	1.000	.754
- I become upset when I think about how this brand misleads me.	1.000	.747
- Given the company's response, I would condemn it.	1.000	.853
- Given the company's response, I would forgive it.	1.000	.726

Extraction Method: Principal Component Analysis.

Table 13: Communalities Table for Consumer forgiveness

Brand switching

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.754
Bartlett's Test of Sphericity	Approx. Chi-Square	309.688
	df	3
	Sig.	<.001

Table 14: KMO and Bartlett's Test for Brand switching

Communalities

	Initial	Extraction
- I would buy Brand X less frequently than before.	1.000	.898
- I would stop buying Brand X and will not buy it anymore.	1.000	.869
- I would switch to a competing brand.	1.000	.847

Extraction Method: Principal Component Analysis.

Table 15: Communalities Table for Brand switching

Negative eWOM

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.649
Bartlett's Test of Sphericity	Approx. Chi-Square	343.093
	df	3
	Sig.	<.001

Table 16: KMO and Bartlett's Test for Negative eWOM

Communalities

	Initial	Extraction
- I would say negative things on social media about Brand X to others.	1.000	.745
- I would discourage friends and relatives to follow Brand X on social media.	1.000	.937
- I would recommend not following Brand X on social media to someone who seeks my advice.	1.000	.869

Extraction Method: Principal Component Analysis.

Table 17: Communalities Table for Negative eWOM

Repurchase intention

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.500
Bartlett's Test of Sphericity	Approx. Chi-Square	194.472
	df	1
	Sig.	<.001

Table 18: KMO and Bartlett's Test for Repurchase intention

Communalities

	Initial	Extraction
- I intend on purchasing this brand.	1.000	.940
- I will buy this brand next time I buy luxury brand products.	1.000	.940

Extraction Method: Principal Component Analysis.

Table 19: Communalities Table for Repurchase intention

REGRESSION

Brand switching

ANOVA
DV1

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	129.072	1	129.072	58.869	<.001
Within Groups	287.220	131	2.193		
Total	416.292	132			

Table 20: ANOVA Table for Brand switching

Descriptives

	N	Mean	Std. Deviation	Std. Error	Lower Bound	Upper Bound	Minimum	Maximum
Partial apology	66	5.3434	1.34096	.16506	5.0138	5.6731	1.67	7.00
Full apology	67	3.3731	1.60651	.19627	2.9813	3.7650	1.00	6.67
Total	133	4.3509	1.77587	.15399	4.0463	4.6555	1.00	7.00

Table 21: Descriptives Table for Brand switching

Negative eWOM

ANOVA
DV2

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	76.730	1	76.730	31.719	<.001
Within Groups	316.895	131	2.419		
Total	393.626	132			

Table 22: ANOVA Table for Negative eWOM

Descriptives

	N	Mean	Std. Deviation	Std. Error	Lower Bound	Upper Bound	Minimum	Maximum
Partial apology	66	4.4495	1.61456	.19874	4.0526	4.8464	1.00	7.00
Full apology	67	2.9303	1.49470	.18261	2.5658	3.2949	1.33	6.67
Total	133	3.6842	1.72685	.14974	3.3880	3.9804	1.00	7.00

Table 23: Descriptives Table for Negative eWOM

Repurchase intention

ANOVA
DV3

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	142.635	1	142.635	97.511	<.001
Within Groups	191.621	131	1.463		
Total	334.256	132			

Table 24: ANOVA Table for Repurchase intention

Descriptives

	N	Mean	Std. Deviation	Std. Error	Lower Bound	Upper Bound	Minimum	Maximum
Partial apology	66	2.2273	.97342	.11982	1.9880	2.4666	1.00	5.50
Full apology	67	4.2985	1.40362	.17148	3.9561	4.6409	1.00	6.50
Total	133	3.2707	1.59130	.13798	2.9977	3.5436	1.00	6.50

Table 25: Descriptives for Repurchase intention

PROCESS

Brand switching and Consumer forgiveness

	coeff	se	t	p	LLCI	ULCI
constant	-.3551	.3644	-.9743	.3317	-1.0760	.3659
IV	-.0042	.1905	-.0220	.9825	-.3810	.3727
MED	.9963	.0610	16.3264	.0000	.8756	1.1170

Table 26: Mediation analysis summary for DV1

Negative eWOM and Consumer forgiveness

	coeff	se	t	p	LLCI	ULCI
constant	-.5413	.4879	-1.1094	.2693	-1.5066	.4240
IV	.2028	.2551	.7951	.4280	-.3018	.7074
MED	.8726	.0817	10.6791	.0000	.7109	1.0342

Table 27: Mediation analysis summary for DV2

Repurchase intention and Consumer forgiveness

	coeff	se	t	p	LLCI	ULCI
constant	6.4721	.3452	18.7479	.0000	5.7891	7.1550
IV	.6067	.1805	3.3620	.0010	.2497	.9637
MED	-.7421	.0578	12.8379	.0000	.8565	.6278

Table 28: Mediation analysis summary for DV3

DESCRIPTIVE STATISTICS OF THE SAMPLE

<i>Characteristics</i>	<i>Frequency</i>	<i>Distribution</i>
GENDER		
Male	48	37%
Female	85	63%
AGE (Generational cohorts)		
18-26	86	65%
27-37	47	35%
NATIONALITY		
Serbian	60	45%
Italian	42	31.5%
Russian	14	10.5%
Montenegrin	6	4.5%
Swedish	5	4%
Bosnian	5	4%
Croatian	1	0.5%
	133	

Table 29: Sample descriptives