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Investigating the mediating effect of Uber's sexual harassment case on its brand: Does it matter?

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ABSTRACT

Following a barrage of serious allegations regarding a corporate culture that engendered sexual harassment, and discrimination, Uber lost a number of senior executives including its CEO. The phenomenon begs the question as to how much the scandals have affected the popular brand. The purpose of this study is to investigate consumer attitudes towards sexual harassment at Uber and the effects of anger about the scandal on Uber's brand popularity. Investigating such issues at a high profile service based organization highlights the nuances of employee and consumer attitudes and behaviors in the new technology-driven sharing economy. Participants ($n = 201$) were recruited through an online survey platform. Regarding factors affecting Uber's brand popularity, the findings of this study reveal that inequitable treatment by Uber negatively affects brand popularity, while consumer attachment to Uber positively affects Uber's brand popularity. Regarding the mediating effect of 'Acceptance of Sexual Harassment at Uber' on brand popularity, the results show that acceptance of sexual harassment only mediates the relationship between consumers' attachment toward Uber and its brand popularity. Analysis further revealed that the sexual harassment case will not be as damaging as many people initially predicted. This study will assist managers who work in various sharing economy industries and those with devout followers, such as Uber and AirBnB, on how to recover from a scandal.

1. Introduction

Following a barrage of serious allegations regarding a corporate culture that engendered sexual harassment and discrimination, Uber lost a number of senior executives and, in June 2017, the Uber Board pressured the CEO to resign, which he did, due to his inability to adequately address a number of serious allegations, all of which stemmed from a 'toxic' work environment (Rogers, 2015). Travis Kalanick founded Uber on the evasion of regulatory schemes and, to date, the company has failed to adequately safeguard the welfare of its employees and customers (Das Acevedo, 2015). The sharing economy, also known as collaborative consumption, is a "*peer-to-peer based activity of obtaining, giving, or sharing the access to goods and services, coordinated through community-based online services*" (Hamari et al., 2016). In the sharing economy, the 'organization-employee-customer' relationship has become blurred, giving rise to an unprecedented potential for unique and high risk problems to occur. Unfortunately, employment law has been unable to hold pace with the rapid technological advances in the ride sharing industry. As such, relationships in the new economy are in need of a targeted regulatory response.

Few scholars have explored the impacts of a specific case on brand popularity. The purpose of this study is to investigate consumer attitudes towards sexual harassment at Uber and the effects of anger about the scandal on Uber's brand popularity. The key factors considered in this study include: (1) the extent to which consumers remain attached to and satisfied with Uber when exposed to negative commentary about the organization; (2) the impact on consumer anger upon learning of sexual harassment and inequitable treatment by the company; and (3) how these factors affect Uber's brand popularity as mediated by acceptance of sexual harassment cases. Investigating such issues at a high profile service-based organization highlights the nuances of employee and consumer attitudes and behaviors in the new technology-driven sharing economy. This study will assist managers who work in various sharing economy industries and those with devout followers, such as Uber and AirBnB, on how to recover from a scandal.

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2. Literature review and development of hypotheses

2.1. Dependent variable: brand popularity of Uber

Often, other dimensions are considered the key focus of brand popularity (Baumann et al., 2015). These can include brand recall (exposure, interaction and experience with a brand) (Warlop et al., 2005; Brakus et al., 2009), self-image congruence (perception of a brand's image and its associations) (Escalas and Bettman, 2005), brand trust (intense bond between the brand and the consumer) (Hiscock, 2001) and perceived brand image (all aspects of brand imagery for an individual consumer) (Baumann et al., 2015).

The nature of 'brand popularity' in a ride-sharing economy can be measured using four determinants: Innovative (up-and-coming brands, high on differentiation and low on esteem and knowledge) (Aaker, 1996), brand equity (ability, strength and uniqueness) (Keller, 2001), growth in overall popularity (information, interactivity, entertainment and vividness) (De Vries et al., 2012) and most popular in market (consumer responses to a brand name, brand strength and brand value) (Keller, 1993; Lassar et al., 1995; Shocker et al., 1994).

Since the sharing economy emerged in 2010, organizations have expected their brand popularity to increase. These expectations largely follow economic and technological innovations that delivered a fair, grassroots, and inclusive economic model designed to help ordinary people serve others and create larger social connections (Schor, 2016). Despite many organizations wanting to piggyback on the popularity of these new initiatives, regulatory dissonance saw an increase in new sexually transmitted diseases through the facilitation of casual encounter ads via Craigslist (Zervas et al., 2014). Moreover, complaints of assault and battery, harassment, invasion of privacy, and sexual harassment began to emerge from customers using ride share services such as Lyft and Uber.

To protect their brand popularity, organizations that provide car- and home-sharing services (e.g. Airbnb, Uber) need to respond to customer concerns over safety as well as their needs for protection from harassment, sexual assault, and other types of unwarranted behavior from home owners or drivers (Dyal-Chand, 2015). Uber emerged from the sharing economy with a business model built on the back of illegal practices. Such practices gave rise to individuals becoming entrepreneurs who operate by circumventing existing laws, at times without restraint. This business model provides both benefits and risks to unapprised customers and can affect the ongoing use and brand popularity of the business (Jonas, 2016).

2.2. Word-of-mouth about Uber

A consumers' willingness to recommend (short/long-term intentions and remaining a customer) (Reichheld, 2003) are behavioral intentions and are derived from an affective attitude, empathy and overall satisfaction (Baumann et al., 2007). Belén del Río et al. (2001) suggest there are established relationships between behavioral intentions and customer satisfaction (McDougall and Levesque, 2000), service quality (Zeithaml et al., 1996), consumer choice (Park and Srinivasan, 1994), preferences and intention of purchase (Cobb-Walgren et al., 1995), willingness to pay a price premium (Agarwal and Rao, 1996), accepting of brand extensions (Hutton, 1997) and recommending the brand to others (Yoo et al., 2000).

Electronic word of mouth (eWOM, e-reviews) has become an important factor in the purchasing process of consumers (Van Esch et al., 2017). Therefore, the nature of 'WOM' in a ride-sharing economy can be measured using three determinants: Spreading negative WOM (binary choices, clustered networks, firestorms, friend or follower, lack of diversity, social network, speed, sympathy groups, unrestrained information flow and volume), (Pfeffer et al., 2014), denigrating ride-sharing services (online activism, revenge) (Mahesh, 2014) and anti-recommendations (aggression, orientation, prudence and selectivity) (Speed and Smith, 1995).

Vengeance, often stemming from dissatisfaction, is a primary reason consumers engage in negative WOM (Richins, 1983). Negative WOM has a greater impact on service satisfaction and brand popularity than positive WOM, suggesting that extremely dissatisfied consumers are more willing to share information pertaining to a negative experience than a positive one (Jansen et al., 2009; Park and Lee, 2009).

Social media and online businesses have propagated marketing communications centered on electronic word-of-mouth (eWOM). Consumers who find themselves dissatisfied or exposed to unsolicited behaviors can create online firestorms using negative eWOM through posts on social media and company websites. While the use of online channels to vocalize complaints and criticisms is not new, it is the speed of diffusion that exacerbates the negativity (Zorbach, 2011). The dynamics of a negative eWOM firestorm may not always be understood, but the uncontrollable and unforeseen consequences present significant new challenges for marketers to protect their organizations' brand and image, while also attempting to mitigate significant financial losses.

Well-recognized organizations are not immune to becoming exposed to massive amounts of negative WOM. For example, in 2004, Kryptonite had to respond to mass consumer outrage as their locks, which were supposed to be the safest in the market, were easily compromised. Within just a few days, via social media, 1.8 million people had viewed the blogs showing how to pick the locks. This negative social media tsunami caught Krypotonite by surprise, it took them over a week to respond as well as an estimated cost of USD$10 Million to rectify and replace the flawed locks (Bennis et al., 2008). Similarly, in 2012, McDonald's retracted a Twitter promotion, that had only been live for 2hrs, because they were exposed to excessive negative WOM via their hashtag #McDStories, where instead of sharing good news stories, consumers proceeded to share negative customer experiences. Moreover, this negative social media firestorm, through e-WOM reached critical mass when consumers continued the attack and switched from reporting negative customer experiences to personally insulting McDonald's via the social media (Twitter) platform (Pfeffer et al., 2014).

Consumer choice and intent are influenced by all types of reviews; however, a phenomenon known as the negativity bias causes consumers to avert their attention to specific negative eWOMs, which then remain under relentless scrutiny (Bambauer-Sachse and Mangold, 2011; Vaish et al., 2008). In response to the significant influence of negative eWOM (Lee et al., 2008; Vermeulen and Seegers, 2009) platforms that host either social media sites or an organization's website now provide secondary insurance to protect against negative media coverage (Acevedo, 2016).

As Uber traverses the intimate nature of the sharing economy, by its very nature, customers, sub-contractors and employees are exposed to heightened relationships and increased identity exposure during the transactional experience. With gender as a primary feature in these settings, relationship experiences prosper due to increased levels of comfort, enjoyment, privacy, security and sexuality. Adversely, this can evolve into forms of discrimination and/or segregation which can lead to inappropriate behavior(s) (Schoenbaum, 2016). Therefore, we hypothesize:

H1. WOM about Uber will positively influence consumers' acceptance of sexual harassment at Uber.

H2. WOM about Uber will negatively influence consumers' perception toward Uber's brand popularity.

2.3. Inequitable treatment by Uber

The notion of equity plays a significant role in both the offline and online worlds of consumers. When a consumer feels as though he or she was treated inequitably, the individual may expect consequences.