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## Original Article

# Consumer racial profiling in retail environments: A longitudinal analysis of the impact on brand image

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**ABSTRACT** Retailers invest substantial resources developing and managing their brand; however, the challenge of upholding an established image becomes problematic during times of adverse publicity. Although practitioners and scholars agree that publicity about unethical business practices tarnishes brand image, research examining the extent and duration of the image shift from negative publicity in retail and brand management contexts is scant. Using latent difference scores to analyze longitudinal data ( $N=152$  and  $N=145$ , respectively), this research investigates consumer immediate and short-term brand responses when exposed to video vignettes depicting consumer racial profiling (CRP) (that is, when retailers treat consumers differently based on race/ethnicity as a means to curtail shoplifting); in

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doing so, we examine how personal moral philosophy and marketing communications affect changes in brand image over time. The results indicate that CRP has a temporary negative effect on consumers' image of the retail brand; however, the rate of image recovery varies with exposure to marketing communication and personal moral philosophy. By exploring the effects of marketing communications and personal moral philosophy on brand image changes over time, this research offers meaningful insight into understanding how brand image perceptions are affected by CRP.

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## INTRODUCTION

Brand managers are primarily concerned with maximizing value, which may occur through market expansion, product development and service differentiation. Never have these strategies existed in a vacuum, and, increasingly, corporations are subject to public examination and scrutiny (Smith, 1995; Morsing, 2006; Sagar *et al*, 2006). Publicized corporate scandals, such as tax evasion by Samsung Group, obstruction of justice by Arthur Anderson, overstating revenue by AOL Time Warner, and fraud by Adelphia Communications to name a few, have eroded brand value and refocused the public's attention to corporate principles, codes of conduct and business practices (Patsuris, 2002; CBC News, 2008).

Although consumers are aware that a corporation and its brands are distinct, they still associate these entities together (Jacoby and Mazursky, 1984; Pettijohn *et al*, 1992). For example, in linking the company to its brands, Dacin and Brown (1997) found that consumer knowledge about a company can influence their reactions to the company's products. As consumers make corporate and product connections along several dimensions, discernible unethical practices, which may take place in the form of retail employees racially profiling customers (that is, treating customers differently based on race/ethnicity) as a means to curtail

shoplifting, can adversely impact a retailer's brand image. These perceptions may be influenced by individual ethical orientations such as idealism and relativism.

Although racial profiling of consumers is perceived to be widespread in retail establishments based on consumer survey data, research examining its effects is lacking (Williams *et al*, 2007). We explore this phenomenon by reviewing the literature on brand image, personal moral philosophy and racial profiling. We then posit that retailers who are proactive in confronting negative publicity and reversing employee malpractice, via marketing communication, will suffer less brand image loss over time. The hypotheses development, experimental procedure and statistical results are then delineated. Finally, conclusions, implications for retailers, study limitations and future research opportunities are discussed.

## BRAND IMAGE

Brand image has been operationalized with three dimensions – *corporate image*, *social image* and *product image* (Biel, 1992). Corporate image is the consumer's image of the good producer or service provider. Social image involves society's acceptance of the brand and what the brand stands for. Product image involves the image associated with the good or service. Brand image

associations can be viewed as hard (that is, tangible/functional attributes) and soft (that is, emotional attributes) (Biel, 1992). Thus, brands that are user-friendly (hard) and trustworthy (soft) may generate favorable consumer purchase intentions.

The perceptions, ideas, feelings and attitudes that consumers have toward a certain brand strongly affect their decision to purchase and to remain loyal to that brand (Gardner and Levy, 1955). Accordingly, the importance of retail brand image has experienced long-standing interest (Jacoby and Mazursky, 1984; Louviere and Johnson, 1990; Ailawadi and Keller, 2004). Retailers must be cognizant that their brand image is closely linked to their offerings and store operations (Grewal *et al.*, 1998). When retailers do not operate ethically (for example, treating customers unfairly), social image perceptions can be damaged and consumer purchase intentions negatively affected (Mitchell, 1997). As a result, brands run the risk of facing detrimental consequences, including societal costs (for example, a loss of consumer trust), organizational costs (for example, a loss of customer retention), and personal costs such as a loss of personal assets via litigation (Laczniak and Murphy, 1991; Knapp, 1999).

### PERSONAL MORAL PHILOSOPHY

An essential framework for exploring consumer responses to ethical situations (for example, Cadogan *et al.*, 2009; Kolodinsky *et al.*, 2010), personal moral philosophy (that is, idealism and relativism) provides criteria for assessing the ethicality of intentions, behaviors and consequences in a variety of decision-making settings (Forsyth, 1980; Ferrell *et al.*, 1989). As such, it was chosen as the ethical foundation for this research. Idealists tend to uphold accepted moral principles when making judgments and decisions, which ultimately enhance people's welfare (Forsyth and Nye, 1990). For people who espouse idealism, avoiding harm to

others is always possible and negative consequences to other people should be avoided (Forsyth, 1980); hence, idealists may view brands that racially profile consumers unfavorably, as such practice undermines peoples' well-being. Alternatively, relativists tend to renounce universal moral principles when making ethical judgments and decisions (Forsyth and Nye, 1990). For relativists, the circumstances surrounding a situation trump the moral principles entailed by that situation, ultimately leading to inconsistent decision making (Forsyth, 1980). Thus, relativists may believe that racially profiling consumers is not ethically problematic because in some situations it may help retailers to avoid shrinkage (that is, a reduction in inventory as a result of shoplifting).

### RACIAL PROFILING

Rooted in criminal suspicion, consumer racial profiling (CRP) is 'a type of differential treatment of consumers in the marketplace based on race/ethnicity that constitutes denial of or degradation in the products and/or services that are offered to the consumer' (Harris *et al.*, 2005, p. 163). The colloquial expression 'Shopping While Black or Brown' is derived from a similar expression – 'Driving While Black or Brown' – which typically occurs when law enforcement officers stop, question, investigate, detain and/or arrest motorists based on their race or ethnicity rather than on probable cause or even a reasonable suspicion that they have engaged in criminal activity (Harris *et al.*, 2005). Attempts to justify such behavior by law enforcement officials are often based on the assumption that minority motorists are more likely to engage in criminal activity while driving.

However, results of earlier studies call into question the assumption that minority drivers have a greater propensity to engage in criminal activity. For example, one study of Rhode Island traffic stops conducted by Northeastern University's Institute on Race

and Justice found non-White motorists were 2.5 times more likely to be searched than White motorists (Farrell *et al*, 2003). Yet, when the traffic stop resulted in a search, Whites were more likely to be found with contraband. Similarly, in retail settings, assumptions about minority customers being responsible for most shoplifting may be misguided; for example, FBI Uniform Crime Reporting data indicate that the greatest percentage of arrestees for shoplifting is White (approximately 70 per cent), rather than racial or ethnic minority customers (Federal Bureau of Investigation Crime Statistics, 2008).

Overall, marketplace discrimination against ethnic minority customers includes both *avoidance* and *approach* discrimination (Williams *et al*, 2001; Gabbidon, 2003). Avoidance discrimination can manifest itself in various forms, including ignoring customers, making them wait an inordinately long time for service, treating them rudely and waiting on White customers first. Approach discrimination occurs when ethnic minority customers are subjected to extra scrutiny by retail security and sales personnel while shopping, like following selected customers closely, observing them in dressing rooms, searching bags, using excessive force (for example, verbal and/or physical attacks) and requiring additional identification for credit or check purchases. Such scrutiny results from greater suspicion that these types of shoppers will engage in criminal activity, such as shoplifting.

Some research points to evidence of CRP in retail settings. For example, for identical, scripted bargaining strategies, new-car dealers quoted significantly lower prices to White consumers compared to Black consumers (Ayres and Siegelman, 1995). In addition, a large per cent of the racial gap in home loan denial rates can be attributed to inequitable lending practices derived from race (Myers and Chan, 1995). Also, research shows that Black customers wait significantly longer than White customers at

retail customer service counters (Ainscough and Motley, 2000). Furthermore, Blacks, compared to Whites, are treated worse when shopping in predominately White neighborhoods (Lee, 2000).

When ethnic minorities have experienced racial profiling in retail settings, they may develop attitudes that this type of treatment is typical of retail establishments. For example, Williams and Snuggs (1997) conducted a mail survey of 1000 households and found that 86 per cent of African Americans felt that they were treated differently in retail stores based on their race, compared to 34 per cent of Whites. According to a more recent Gallup Poll Social Audit Series on Black/White Relations in the United States (Henderson, 2001), 35 per cent of Blacks say they are treated less fairly than Whites in neighborhood shops, 46 per cent say they are treated less fairly in stores downtown or in malls and 39 per cent say they are treated unfairly in restaurants, bars and theaters. This poll also indicated that 27 per cent of all Black respondents, and 41 per cent of Black men between 18 and 34 years of age, felt that they were treated unfairly in the last 30 days in a store where they shop.

Retail employees engaging in such behaviors jeopardize their retailer's brand. For example, Dillard's has received widespread negative publicity owing to multiple CRP lawsuits (for example, Downing, 2004). In addition, an Associated Press story focused national attention on recent CRP lawsuits against Macy's, Dillard's and J.C. Penney (Kong, 2003). Although race and ethnic discrimination are perceived to be prevalent in retail establishments, research examining the effects of such discriminatory practices remains scant (Ainscough and Motley, 2000; Williams *et al*, 2001; Gabbidon, 2003; Harris *et al*, 2005). Hence, we examine consumer immediate and short-term brand responses when exposed to CRP; in doing so, we examine how

personal moral philosophy and marketing communications influence changes in brand image over time.

## HYPOTHESES DEVELOPMENT

The dimensions of personal moral philosophy are robust determinants of ethical choice and help in explaining individual ethical differences across various settings (for example, Tansey *et al.*, 1994). Research shows that for marketing professionals, relativism correlates negatively with exhibiting integrity (Vitell *et al.*, 1993), and, in academia, relativistic marketing students have weaker intentions to act ethically (Singhapakdi, 2004). In contrast, for marketing professionals, idealism correlates positively with exhibiting integrity (Vitell *et al.*, 1993), and idealistic marketing students have stronger intentions to act ethically (Singhapakdi, 2004; Sierra and Hyman, 2008).

Idealism and relativism may differentially affect consumers' perceptions of and responses to businesses and their practices. In Hunt and Vitell's (2006) revised theory of marketing ethics, individuals' ethical evaluations indirectly affect behavior through intervening outcome variables. Although the Hunt and Vitell theory does not specifically address marketing attitudinal outcomes, we believe a similar indirect mechanism influences brand image. In particular, relativistic consumers may be less sensitive toward individual rights, and may also be more understanding of retailers' need to reduce shoplifting. In comparison, idealistic customers may be more offended by such actions. As the change in brand image after a racial profiling event can depend on a consumer's ethical orientation, we examine personal moral philosophy dimensions as moderators of brand image change.

**Hypothesis 1:** In retail settings in which consumer racial profiling is perceived to occur, consumer relativism does not moderate retailer brand image.

**Hypothesis 2:** In retail settings in which consumer racial profiling is perceived to occur, consumer idealism moderates the change in retailer brand image.

Corporations invest heavily in marketing communications in order to protect and augment their brand's image. Trevino (1986) revealed a number of situational factors that moderate an individual's ethical response, including culture, group influences and communications. Research also shows that proactive strategies such as advertising can affect consumer brand perceptions (Keller, 1999). Taking immediate action to refute, downplay or otherwise overcome the negative impact of perceived ethical violations (for example, racially profiling shoppers) may offset or repair the damage caused to the brand by the event. Consequently, we expect that marketing communication(s) regarding the retailer's questionable practice can dampen negative changes in retailer brand image.

**Hypothesis 3:** Immediate marketing communications after a consumer witnesses a consumer racial profiling event will dampen the negative *immediate* brand image change.

A corporation's image is a composite of one's experiences with, communications from, and knowledge about an organization (Keller, 1993; Shimp, 2003). Specific instances of company employees or brand representatives will ultimately become part of a consumer's stereotypical corporate image. Consumers amalgamate retail employee interactions, word-of-mouth communications and advertising into an integrated image of the brand over time (Tirole, 1996). Brand image can become more positive over time, even in the wake of a negative publicized event. People lend more credence to current events than memories of past encounters; for example,

short-term episodic memory becomes less salient and individuals recall more general impressions over intermediate periods of time (McClelland and Rumelhart, 1986). Retail scholars have noted that consumer attitude toward a firm is stronger immediately after a transaction and tends to soften over time (Herbig and Milewicz, 1993). Therefore, in the absence of any further negative information or experiences, we believe that consumer retail image will recover after a negative event.

**Hypothesis 4:** Immediate marketing communications after a consumer witnesses a consumer racial profiling event will dampen the negative *short-term* brand image change.

## METHODOLOGY

### Sample profile

Millennials (those born between 1982 and 2004) are an important retail apparel consumer (Moore and Carpenter, 2008); thus, undergraduate business students enrolled in a marketing course in a southwest US university were surveyed during regularly scheduled classes. The sample size consisted of 152 students. Ninety-five per cent of the sample is between the ages of 19 and 23 years, and females (51 per cent) slightly outnumber males. Whites (59 per cent) and Hispanics (34 per cent) are the main ethnic groups studied. In terms of class standing, third-year (47 per cent), fourth-year (27 per cent) and second-year (20 per cent) students comprise the majority of the sample.

### Design and data collection procedure

To assess responses toward retail companies that use racial profiling to minimize shoplifting (that is, extra scrutiny while shopping) (Gabbidon, 2003), a pretest group of 35 students viewed a taped 15-min segment

that aired on *NBC Dateline*. This episode revealed racial profiling of shoppers by employees in apparel retailers, including Banana Republic, Eddie Bauer and Polo, as a means to prevent shoplifting. After viewing the vignettes, students were asked whether the retail practices could be classified as racial profiling of shoppers, and all students concurred.

To control for predispositions toward the depicted brands in the experiment, students were informed that the questionnaire pertained only to the information provided in the *NBC Dateline* episode; in addition, students were asked whether they had shopped at one of these brick-and-mortar establishments within the past 60 days. Results indicated that this was not the case, and thus all 152 students participated in the study.

*NBC Dateline* was able to capture racial profiling by retailers via hidden cameras on two journalists; one posed as a White and the other, a Black shopper. Both patrons visited each of the noted retailers (air time within each retailer was comparable) and filmed reactions of store clerks and security personnel to their seemingly innocuous 'browsing and shopping' behaviors. The footage clearly revealed greater scrutiny and discrimination of the Black shopper by both retail security and store personnel.

To assess the effect of marketing communication influence on brand responses toward retailers who racially profile customers, our experimental design included two groups; the control group ( $N=60$ ) completed a questionnaire, which measured personal moral philosophy and brand image of the three retailers, before and then again immediately after viewing the *Dateline* episode. The manipulation group ( $N=92$ ) completed the same questionnaires; however, after viewing the vignette and before completing the second questionnaire, the researcher distributed an information sheet with national statistics on



shoplifting and discussed the retailer quandary of creating a comfortable shopping environment, while deterring consumer shoplifting.

To examine the lasting effect of racial profiling of customers on retail brand image, 1 month later all students completed the brand image scales for the three retailers viewed in the vignette. To minimize extraneous marketing influences, students were asked whether they had visited any of the three retailers, seen any advertisements during the 1-month interval between questionnaires, or whether they could guess the study's purpose. Seven students fell into one of these three categories, and thus were removed from the analysis, yielding 145 completed longitudinal data sets. For all three questionnaires, students were reminded that there were no right or wrong answers, and that their responses were anonymous.

## Scale descriptions

### *Brand image*

Sierra *et al* (2008) studied the effect of perceived sexual harassment in the workplace on image perceptions of the brand (Keller, 1993). To assess perceived brand image ( $I_{\text{IMAGE}}$ ), they used a seven-item, seven-point semantic differential scale meant to capture corporate and product image dimensions; we used this scale to assess retailer brand image.

### *Personal moral philosophy*

Ten-item scales for each ethical idealism ( $Eth_{\text{IDEAL}}$ ) and ethical relativism ( $Eth_{\text{REL}}$ ) were borrowed from Forsyth (1980). Using pair-wise deletion for missing data, principal components with varimax rotation analysis revealed that only seven items from the  $Eth_{\text{IDEAL}}$  scale and six items from the  $Eth_{\text{REL}}$  scale loaded properly; thus,  $Eth_{\text{IDEAL}}$  and  $Eth_{\text{REL}}$  were measured with these

items. A Likert scale ranging from *strongly disagree* (1) to *strongly agree* (9) was used to measure responses. All scale items are provided in the Appendix.

## RESULTS

### **Reliability and validity of scales**

Exploratory factor analysis was assessed at two times; for time one (immediately following the vignette), principal components analysis with varimax rotation was used to assess factor structure of the  $I_{\text{IMAGE}}$ ,  $Eth_{\text{IDEAL}}$  and  $Eth_{\text{REL}}$  items. Missing data were handled via pair-wise deletion. The resulting factor solution in which each item loaded highly (that is,  $>0.59$ ) on the appropriate factor and with no meaningful cross-loadings (that is, 0.18 or less), accounted for 55.99 per cent of the variance. For time two (30 days after viewing the vignette), principal components analysis was used to assess factor structure of the  $I_{\text{IMAGE}}$  items. The resulting factor solution in which each item loaded highly (that is,  $>0.70$ ) on the appropriate factor with no meaningful cross-loadings (that is, 0.49 or less), accounted for 78.76 per cent of the variance. The results across the two times indicate reliable and valid measures for the studied constructs; alphas for each scale ranged from 0.764 to 0.953.

A baseline confirmatory factor analysis was also conducted for all respondents at time zero. Five constructs including relativism, idealism and three retailer brand image measurements for Banana Republic, Eddie Bauer and Polo yielded a significant chi-square ( $\chi^2$  (degrees of freedom(df) = 545) = 1030.05,  $P < 0.01$ ); however, there was good fit with other indices not subject to sample size including  $\chi^2/df = 1.89$ , CFI = 0.984, TLI = 0.982 and RMSEA = 0.048, which suggest adequate measurement model fit. For validity, all factor loadings were significant ( $P < 0.01$ ); all scalar items loaded on their factors without significant

cross-loadings. Overall, the results indicate reliable and adequate fit for the studied constructs.

As recommended by Vandenberg and Lance (2000), the measurement data were subjected to a multi-group, multi-time analysis simultaneously (see Table 1). The simultaneous estimation provides a longitudinal baseline value against which other subsequent models can be compared. As the model is complex and measurement unidimensionality has been established with an initial CFA, items were aggregated to three parcels per latent construct as recommended by Little *et al* (2002) to examine the structural model. The fit of the baseline single group, three-time period configural model was satisfactory ( $\chi^2(df=257) = 596.73$ ,  $\chi^2/df=2.32$ , CFI=0.972, TLI=0.962 and RMSEA=0.075) and, the baseline two-group, three-time period was adequate with ( $\chi^2(df=522) = 1315.44$ ,  $\chi^2/df=2.52$ , CFI=0.959, TLI=0.955 and RMSEA=0.096). Furthermore, all the factor loadings were significant across the two groups and three time measurements. This leads to the conclusion that the proposed model demonstrates adequate configural invariance and reasonable model fit.

To test for metric invariance across the two samples, we constrained the matrix of factor loadings to be invariant. The alternative fit indices still suggested an acceptable fit ( $\chi^2(df=542) = 1346.71$ ,  $\chi^2/df=2.48$ , CFI=0.956, TLI=0.947 and RMSEA=0.095) and non-significant increase in  $\chi^2$  ( $\Delta\chi^2=31.26$ ,  $\Delta df=20$ ,  $P=0.064$ ) between the configural invariance model (baseline model) and the metric invariance model. Finally, we tested for strong invariance by constraining the intercepts. These results lead to worse fit for the strong invariance model, with a significant increase in  $\chi^2$  ( $\Delta\chi^2=520.71$ ,  $\Delta df=24$ ,  $P=0.00$ ) and worse fit statistics (CFI=0.902, TLI=0.889 and RMSEA=0.122); thus, the means are not entirely invariant. However, researchers

**Table 1:** Longitudinal, multi-group measurement invariance

Model (two group, three periods)	$\chi^2$	df	$\chi^2/df$	P	RMSEA	TLI	CFI	Constraint tenable
Configural invariance	1315.44	522	2.52	<0.001	0.096	0.959	0.951	—
Factor invariance	1346.71	542	2.48	<0.001	0.095	0.947	0.956	Yes
Intercept invariance	1867.41	564	3.31	<0.001	0.122	0.889	0.902	No

Note: For factor and intercept invariance, we are simultaneously testing across time and groups.



**Table 2:** Experimental variance/covariance homogeneity tests

Model	$\chi^2$	df	$\Delta\chi^2$	$\Delta df$	P	Constraint tenable
Homogeneity of variance/covariance <sup>a</sup>	2237.41	638	370.0	74	<0.0001	No
Group	2268.66	623	31.25	15	<0.0069	Yes
Time	2325.77	608	57.11	30	<0.0012	Yes

<sup>a</sup>Strong invariance model is baseline.

have noted that full measurement invariance is very unlikely (Steenkamp and Baumgartner, 1998) and scientifically unrealistic (Horn *et al*, 1983). Our data have only two pairs of means that are significant across time periods. In addition, partial metric invariance is not significantly different from the configural model ( $\Delta\chi^2=34.37$ ,  $\Delta df=22$ ,  $P=0.045$ , CFI=0.945, TLI=0.939 and RMSEA=0.010). Thus, there is support for partial metric invariance in our data. Overall, the measurement model displays configural invariance, robust factor structure and reasonable metric invariance across both experimental and control groups, as well as all three time periods.

We tested homogeneity of variance and covariances between groups and time (see Table 2). Owing to the power ( $N=145$ ) and the sensitivity of the  $\chi^2$  to sample size, it is reasonable to adopt a  $P$ -value for rejection of 0.001 for this sample size (Little *et al*, 2007). The overall test that the variance-covariance matrix is homogeneous across time and group was not tenable ( $\chi^2(df=638)=2237.41$ ,  $P<0.0001$ ), and the follow-up  $\chi^2$  tests of just group ( $\chi^2(df=623)=2268.66$ ,  $P=0.0069$ ) or just time ( $\chi^2(df=608)=2325.77$ ,  $P=0.0012$ ) suggests that there is homogeneity of the variances and covariances. Moreover, because the group and time tests were not significant, we do not need to proceed with follow-up comparisons to determine whether any differences lie in the variances of the constructs or in the associations among the constructs (Little *et al*, 2007).

## Hypotheses tests

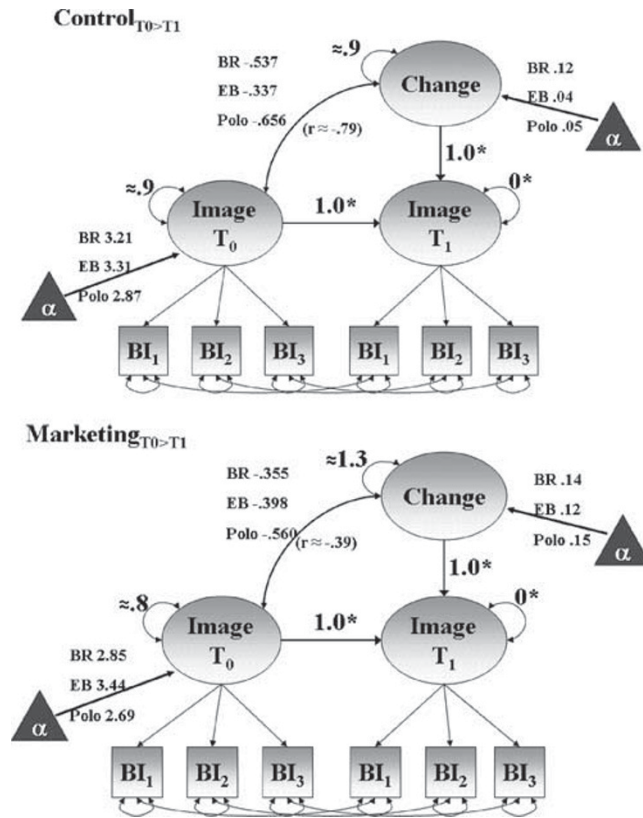
Table 3 contains the raw scores for brand images on the scale of 1 (negative) to 7 (positive). The data show respondents immediately reacting to the racial profiling vignettes with a sharp decline in brand image T0–T1 ( $\Delta M=-0.53$ ) and a recovery from T1–T2 ( $\Delta M=0.31$ ); however, the manipulation group that was exposed to marketing communication was less negatively affected over the same time interval, than the group that was exposed only to the Dateline program ( $\Delta M=-0.48$ ).

The hypotheses were evaluated by latent difference score (LDS) Structural Equation Modeling (SEM) (McArdle, 2001) using LISREL 8.72 (see Figures 1 and 2). Analysis of prior longitudinal studies by methodologists (for example, Singer and Willett, 2003) have highlighted several problems with many longitudinal studies, including biases that are due to regression toward (and regression away from) the mean, artificial relationships between initial level and change, survival bias and practice effects. Many of these methodological problems have been addressed in SEM statistical techniques in latent change and latent growth curve models (see Muthén and Curran, 1997). The LDS approach disaggregates long-term growth curves into a sequence of latent difference segments while controlling for internal sources of change, autoregressive and non-stationarity effects. Unlike direct change score analysis, LDS examines more reliable scores over a time series (McArdle, 2001).

**Table 3:** Brand image descriptives for retail brands

Time period	Control group <i>M</i> ( <i>SD</i> ) <sup>a</sup>			Marketing manipulation <i>M</i> ( <i>SD</i> ) <sup>a</sup>		
	Banana Republic	Eddie Bauer	Polo	Banana Republic	Eddie Bauer	Polo
Time 0	3.21(0.47)	3.31(0.55)	2.87(0.61)	2.85(0.44)	3.45(0.44)	2.69(0.42)
Time 1	3.75(0.47)	3.65(0.61)	3.53(0.62)	3.81(0.53)	3.57(0.58)	3.00(0.57)
Time 2	3.58(0.50)	3.51(0.52)	3.65(0.60)	3.30(0.47)	3.05(0.51)	2.58(0.58)

<sup>a</sup>Manifest variable metric effects coding.



**Figure 1:** Latent difference scores time 0 to time 1.

We are interested in the changes in brand image across time and experimental groups. To assess brand image changes, we examine the change in brand latent means using LDS, which controls for changes in measurement error over time and autoregressive effects. We have added an unobserved delta variable to our model, which represents the mean change at time  $t+1$  that is not part of time  $t$ .

We test the brand latent mean changes with a  $\chi^2$  test of equal means over time. We allow the initial and latent difference variable variances to be freely estimated, constrain the  $t > t+1$  pathways to unity, and fix the  $t+1$  variance to zero. These LDS procedures mimic a subtraction between means and enable the change variance to be freely estimated. The LDS model fit was adequate

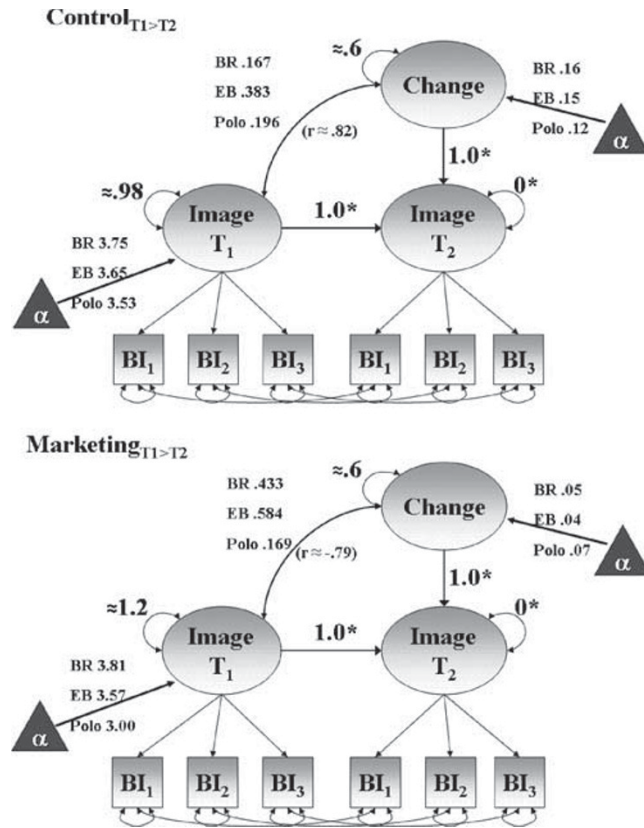


Figure 2: Latent difference scores time 1 to time 2.

for both change periods, with time 0 to time 1 showing slightly improved fit ( $\chi^2(df=267)=702.21$ , RMSEA = 0.10) over the changes from time 1 to time 2 ( $\chi^2(df=267)=912.87$ , RMSEA = 0.11) (see Table 4). LDS fit was affected by brand image variances between the groups, including negligible Eddie Bauer time 1 changes, and Polo exhibiting a slower brand image recovery in time 2. The between-group model means were consistent at time zero (T0 ▲), but the difference score means varied between groups over time (T1, T2 ▲), as group brand image recovered differently. Overall, the model estimates confirm the influence of immediate marketing communications on consumer reaction to retail racial profiling. In particular, the decline in brand image is attenuated by marketing

communication both immediately after viewing an event, partially supporting Hypothesis 3 (two brands  $\Delta\chi^2(df=3)=6.2$ ,  $P>0.05$ ), as well as 30 days after the event, partially supporting Hypothesis 4 (two brands  $\Delta\chi^2(df=3)=3.8$ ,  $P>0.05$ ). Two of the three brands with marketing communication had fully recovered brand image within 30 days of the event. Interestingly, the initial decline in brand image for the Polo brand was helped with immediate marketing communication; however, the rate of image recovery did not change after marketing communication for the premium Polo brand. In the aggregate for all brands, the marketing communication significantly slowed the immediate brand image decline (LDS<sub>T0>T1</sub>  $\chi^2(df=267)=702.21$ , RMSEA = 0.10, TLI = 0.89, CFI = 0.90)

**Table 4:** Intercept and slope differences and hypotheses tests

Parameter	Banana Republic		Eddie Bauer		Polo	
	Control	Marketing	Control	Marketing	Control	Marketing
Initial mean, T0	3.21	2.85	3.31	3.44	2.87	2.69
Intercept $\Delta$ Inter <sub>(T0,T1&gt;T1,T2)</sub>	0.54	0.96	0.34	0.13	0.66	0.31
Slope mean						
T0-T1	-0.537	-0.355	-0.337	-0.398	-0.656	-0.560
T1-T2	+0.167	+0.433	+0.383	+0.584	+0.196	+0.169
Hypotheses						
H1**COV <sub>Relat</sub>	b=0.04, t=1.24, P=0.237		b=0.05, t=1.35, P=0.267		b=0.03, t=0.98, P=0.386	
H2**COV <sub>Ideal</sub>	b=0.35, t=3.98, P=0.016		b=0.34, t=4.22, P=0.18		b=0.26, t=3.73, P=0.021	
H3* $\Delta$ slope <sub>(T0,T1)</sub>	$\Delta\chi^2$ (df=3)=4.11, P>0.05		$\Delta\chi^2$ (df=3)=12.42, P<0.05		$\Delta\chi^2$ (df=3)=6.15, P>0.05	
H4* $\Delta$ slope <sub>(T1,T2)</sub>	$\Delta\chi^2$ (df=3)=2.32, P>0.05		$\Delta\chi^2$ (df=3)=3.79, P>0.05		$\Delta\chi^2$ (df=3)=21.22, P<0.05	
LDS Model fit	LDS Time 0 to Time 1 $\chi^2$ (df=267)=702.21 RMSEA=0.10 TLI=0.89 CFI=0.90		LDS Time 1 to Time 2 $\chi^2$ (df=267)=912.87 RMSEA=0.11 TLI=0.87 CFI=0.88			

Note: N=145, parameters defined at Time 0 (T0). All estimates maximum likelihood.  $\Delta_{0,1}$  is the latent difference score for Time 0 to Time 1;  $\Delta_{1,2}$  is the latent difference score for Time 1 to Time 2; COV<sub>Ideal</sub> is the orthogonalized (residual) interaction between each brand image and idealism; COV<sub>Relat</sub> is the orthogonalized (residual) interaction between each brand image and relativism.

\*Partially supported.

\*\*Supported.

and marginally increased the recovery rate over the first 30 days ( $LDS_{T1>T2}$   $\chi^2(df=267)=912.87$ ,  $RMSEA=0.11$ ,  $TLI=0.87$ ,  $CFI=0.88$ ).

We also examined personal ethics as a moderator of brand image outcomes across the three brands and three time periods. If personal ethics interacts with brand image assessment after exposure to retail racial profiling, then we would expect the structural coefficients or slopes to change at different rates over time depending on personal values. As recommended by Little *et al* (2006), product terms were regressed onto other indicators to create centered residuals. These residuals were subsequently used as indicators for orthogonal interaction latent variables in the LDS longitudinal model. The residual latent variable interaction procedure accounts for correlated residual terms within the latent interaction variable, prevents correlations with the brand main effect variables, and ultimately leads to more stable interaction estimates and better model fit. The results support Hypothesis 1, with consumer relativism failing to moderate changes in retail brand image ( $b < 0.1$ ,  $t < 1.4$ ,  $P > 0.2$ ) and Hypothesis 2, as idealism significantly moderates the immediate and short-term brand image shift ( $b > 0.25$ ,  $t > 3.5$ ,  $P < 0.05$ ). As anticipated, the amount of brand image change depends on consumer ethical orientation; consumers who are more idealistic react more negatively to retail racial profiling events.

## DISCUSSION

Retailer brand image can be influenced by product quality, store promotional activity and word-of-mouth communications (Grewal *et al*, 1998). Retailers work hard to develop and maintain their image, and should avoid activities that harm their brand. Using longitudinal data, we investigated the dynamics of brand image change after consumers witnessed racial profiling incidents in a retail setting. The results

indicate an immediate negative impact on brand image after consumers witness racial profiling; however, prompt marketing action that explains the retailer's shoplifting prevention dilemma appears to dampen the immediate drop, and accelerate the brand image recovery. In general, marketing communication appears to help short-term brand image recovery.

The results also show that consumer ethical orientation moderates brand image reactions to racial profiling events, with idealistic consumers reacting more negatively. Although these findings may be independent of the marketing communication effect on brand image recovery, the current research suggests significantly different responses to the ethical dilemma between idealists and relativists. Thus, brand managers must be aware of the target market's prevalent moral philosophy, as relativists seem to give brand retailers a 'pass' where the end seems to justify the means, and, conversely, idealists will hold the firm and its brands to a higher standard of conduct.

Our research makes a meaningful contribution to the branding literature on the lasting effect of CRP on retailers' brand image. Although there is little disagreement by social psychologists on individual lasting outcomes of discrimination, a person's 'marketing' reaction to such practices in the retail environment has not been fully investigated. By examining the effects of marketing communications (that is, a re-evaluation process of consumers immediately following exposure to shady events) and personal moral philosophy (that is, idealism and relativism) on brand image changes, we provide meaningful insight into understanding how brand image perceptions are affected by questionable retail practices.

In addition, we used LDS as an approach to analyze longitudinal marketing data. Unlike traditional change score analysis using simple difference scores, LDS yields

a more reliable set of scores over time, reduces parameter estimation bias and increases model power. LDS takes longer-term growth curves and disaggregates them into latent different segments that can be modeled with change variables. Approaches such as LDS are useful for modeling non-linear growth and change phenomena, particularly when the response lags and change response mechanisms are relatively unknown.

## IMPLICATIONS

The finding that ethical events impact retail brand image is clearly germane to brand management; retailers who have established a credible brand can tarnish their brand's image by operating in a potentially unethical manner by profiling and treating customers unequally based strictly on racial appearance. In doing so, the brand name is not only defiled, but the change in retail brand image may also affect other products associated with the corporate name (Shapiro, 1983). When a retailer is perceived to engage in questionable practices, customer perceptions of brand value and brand equity may also diminish (Calderon *et al*, 1997). To maximize stakeholder value and long-term brand well-being, retailers should pursue proactive strategies to protect their brand's image (Herbig and Milewicz, 1993), which includes educating frontline employees of the perils of racial profiling (Gabbidon, 2003). The results of this research indicate that operating ethically, via treating shoppers equally, is an effective strategy to retain positive retail brand image.

Our study also highlights the importance of immediate communicative actions to lessen the brand image impact of perceived unethical events. As perceived unethical business practices lead to customer dissatisfaction and potentially more disastrous outcomes (Thomas *et al*, 2002), retail managers need to react immediately to any noticeable

customer discomfort from an ethical problem, such as CRP. Prompt retailer action, as our findings suggest, may lessen the severity of a customer's negative retailer image shift. In addition, the results show that public ethical problems can have at least an intermediate term effect on a firm's image. These findings validate Herbig and Milewicz's (1993) study that retail brand image is time-sensitive. What retailers need when an unethical action or activity is made public is a direct and timely response to the ethical event to reduce the immediate and short-term damage to brand.

Perhaps programs that encourage organizational citizenship behavior (OCB) will encourage morally sound employee-customer relationships. Bell and Mengue (2002) found that OCB is fostered by maintaining high-quality internal relationships with employees. These quality relationships tend to be reciprocated by employees to customers. The OCB dimensions of altruism, civic virtue and courtesy may lead to improved service quality (Bell and Mengue, 2002) and more empathetic frontline employee decisions and behaviors. To encourage these virtues, training programs should directly consider the prevention of unethical employee actions (for example, treat all customers equally).

In addition, this study highlights differential consumer responses based on individual ethical ideologies (that is, idealism and relativism). Our study shows that idealists are more likely to respond negatively to unethical retail practices. This type of consumer is posited to be more receptive to altruistic and prosocial corporate strategies (Vitell *et al*, 1993). To manage a potential negative image shift from a suspect event, corporate managers may need a segmented approach that addresses general concerns for relativistic consumers and reemphasizes altruistic and prosocial corporate activities for their idealistic segment.



## LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Our research is not without limitations. First, our study examined perceived retail brand image changes of a single type of publicized event (that is, CRP). Other types and intensities of questionable events may produce different retail image reactions. In addition, the use of a student sample from a southwest university may limit the generalizability of the findings (Winer, 1999); thus, additional research with non-student samples in various regions is needed to establish external validity. In addition, the measurement scales used for data collection may not be equally valid across all samples, cultures and ethical-related exchange settings. This factor can affect the measurement properties of the constructs and their relationships with one another. Lastly, the marketing communication manipulation was conducted under classroom conditions, immediately following the viewing of the *Dateline* vignette. Although these conditions may closely mimic the retail store environment of a manager's intervention with a customer and his/her employees, marketing communication influences may change when transmitted via other forms of traditional promotional channels.

Highly publicized corporate ethical problems point to strong consumer responses, which can threaten the viability of a corporation (for example, Arthur Anderson's demise in 2001). Studies assessing other ethical factors such as the moral intensity (Jones, 1991) of the retail act in question may offer additional insight into these responses. Robertson and Fadir (1999) note that cultural background may influence managers' ethical decision-making process; this cultural influence may also affect a consumer's evaluation of a retailer's ethical problem and the subsequent change in retail brand image. Different research tools, such as ethnographic methods, could

be used to assess how retail shoppers' experiences are influenced by racial profiling (Healy *et al*, 2007). Furthermore, additional organizational (for example, benevolence) and personal (for example, forgiveness) factors could be modeled to assess the lasting effect of racial profiling on retail brand image (Xie and Peng, 2009).

In addition, the present study could be extended to a wider range of marketing communication materials. Immediate and interactive intervention was found to significantly influence the resulting retail brand image shift. It is possible that highly directed advertising campaigns may yield similar results. In our research, consumer perception of retail brand image varies over time, even with short and monthly time lags. These results point toward future research that uses longer and more frequent time lags between brand image tests. Lastly, the effects of various forms of CRP (for example, avoidance, undue use of force) (Williams *et al*, 2001; Gabbidon, 2003) on consumer responses toward brands and business practices appears worthy of inquiry.

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## APPENDIX

### Scale items

#### *Brand Image*

On the basis of (seven-point Semantic Differential scale).

- Not credible/Credible
- Not prestigious/Prestigious
- Disreputable/Reputable
- Irresponsible/Responsible
- Not trustworthy/Trustworthy
- Low quality/High quality
- Unreliable/Reliable

#### *Personal Moral Philosophy*

On the basis of (nine-point Likert scale, 1 – strongly disagree to 9 – strongly agree).

*Idealism:* A person should make certain that their actions never intentionally harm another even to a small degree.

Risks to another should never be tolerated, irrespective of how small the risks might be.

The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.

One should never psychologically or physically harm another person.

One should not perform an action that might in any way threaten the dignity and welfare of another individual.

If an action could harm an innocent other, then it should not be done.

The dignity and welfare of people should be the most important concern in any society.

*Relativism:* Moral standards should be seen as being individualistic; what one person considers being moral may be judged to be immoral by another person.

Different types of moralities cannot be compared as to ‘rightness’.

Moral standards are simple personal rules that indicate how a person should behave, and are not to be applied in making judgments of others.

Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their own individual codes.

No rule concerning lying can be formulated; whether a lie is permissible or not permissible totally depends on the situation.

What is ethical varies from one situation and society to another.