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Toyota Crisis: Management Ignorance?

– A Swedish Case of Consumers Perceptions

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TOYOTA CRISIS: MANAGEMENT IGNORANCE? – A SWEDISH CASE OF CONSUMERS PERCEPTIONS

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Abstract Since the late 2009, the famous vehicle manufacture Toyota has suffered a severe crisis due to unintended quality problems in its cars which had triggered Toyota's largest officially recalls of its cars around the world. This crisis threatens the company's previous reputation of good quality cars, as well as the brand image built up over time. This study aims to elaborate on the Toyota crisis in order to understand why Toyota faces this crisis and how they deal with the crisis; and investigate consumers' perceptions of Toyota brand as the outcome of the crisis, with a focus on Swedish market. A qualitative research along with a number of face-to-face interviews with Toyota Swedish dealer and Swedish vehicle consumers is conducted. The findings reveal that the impact of the Toyota crisis in Sweden is not as serious as that in America; there remain satisfied and loyal Toyota's customers who are not swayed by the negative publicities; While Toyota should manage the crisis even in a better way in order to retain its good reputation.

Key Words Crisis, Toyota, Corporate Reputation, crisis management, consumer perception

INTRODUCTION

"We deeply regret the inconvenience and concern caused to our customers and others by our recent recalls of multiple vehicle models across multiple regions." – Aki Toyoda, the CEO of Toyota Motor Corporation¹ (Toyota website).

Since the above apologetic speech was addressed by Aki Toyoda at a press conference in February 2010, it had been highlighted at the front page of Toyota's official website for a few months. Beside the regretful expression we can learn from this public release, it also implies that the Toyota, one of the world's largest automakers, is suffering in their recent recalls of millions of vehicles round the globe. Safety recalls are common issues occurring in automobile industry, few may have long run impact on the automakers involved if handled correctly. However, in this case, the disaster engulfing Toyota is of a different order (The Economist, Feb.6, 2010). Toyota's quality brand has been at a risk due to its sedans' safety problems sequentially emerged recently.

¹ Toyota Motor Corporation is the full name of the company, however, in this article the word "Toyota" will be used instead of Toyota Motor Corporation in order to make it short.

In 2008 Toyota became the world's largest carmaker when it successfully exceeded General Motors in sales and production. However, this leading position of Toyota had changed since the end of 2009. In United States, Toyota's largest marketplace, a fatal crash of a Lexus ES 350 happening on August 28th 2009 was highly publicized, due to the gas pedal was stuck and the car was out of control (Los Angeles Times, Oct.25, 2009). Since then, Toyota's vehicles have been largely exposed to a series of issues associated with unintended acceleration problems, which had triggered Toyota's escalating crisis and its massive recalls of approximately 9 million vehicles globally within six months. For Toyota, this is indeed a tragedy not only related to heavy financial losses due to repairing costs, market share lost and production suspending, but also to Toyota's reputation for matchless quality and management. The firm's reputation for quality cars, on which the business was built over time, is shattered.

Problem Discussion

Toyota has long been regarded as the pinnacle of Japanese innovation, manufacturing quality and industrial pioneer (The Economist, Feb 13, 2010). Its vehicles are well known for economy, reliability and fuel efficiency. Its 'lean' manufacturing techniques and culture of continuous improvement were the envy of the business world (ibid). It is absolutely astonishing that Toyota has been embroiled in such a serious quality issues with its vehicles. Just within six months, almost 9 million cars have to be taken back for modification under the potential problems with floor mat, acceleration pedals, and braking, all of which were related to unintended acceleration problems by publics.

As we know, cars nowadays have become more complicated in features and functionality. The growing numbers of wires, sensors and computer chips embedded in auto electronics have profoundly changed the automobile in the last decade (Krisner, 2010). As more and more hi-tech systems are fitted to modern cars, it has become more and more perplexing in quality-control testing along with troublesome interferences and uncertainties. Any small electronic flaws randomly happened in the complicated machine, as well as the influence of environmental factors, can easily lead to a failure of a car. In the Toyota crisis, we would wonder if the massive recalls were simply as a result of mechanical problems that could happen in any automaker potentially, or were caused by other errors of the company that can be avoided in term of their technology and management.

No matter how, the recalls stories made the headlines worldwide. Especially in United State, Toyota has received unprecedented attentions from mass media, most of which have published a lot of negative news related to this issue, questioning to the quality problems of Toyota's car and its reputation. Negative events usually come unexpectedly with the potential to bring an organization into reputational crises and thereby imperil its future profitability, growth, and survival (Greysen, 2009). Whether the negative impacts are immediate or sustained over months and years, crises would probably affect both internal and external stakeholders of the company (Weiner, 2006). Suffering in such disaster, Toyota has taken action to manage the crisis, in order to retrieve their reputation and rebuild trust from stakeholders, especially the most important groups - consumers. Toyota has been in the hot center of coverage in United State, where the crisis is originally initiated. While, other countries involved in Toyota recall issues seem to pay less attention to this event than that of North America. Since the recalls have been conducted across regions globally not only in North America, it would be interesting to see how vehicle consumers in non-American regions perceive the crisis and the Toyota brand.

Purpose and Research Questions

With the above problems in mind, this study aims to elaborate on the Toyota crisis in order to understand why Toyota faces this crisis and how they deal with the crisis. This can be achieved through a detailed overview on what have happen in Toyota related to the crisis on a general level, as the recalls had been released globally. Moreover, the purpose of this research is also to investigate consumers' perceptions of Toyota brand as the outcome of the crisis. To be specific in this aspect, Swedish market will be the focus of the research where Swedish vehicle consumers are examined.

Accordingly, the research questions can be set as following:

- What are the reasons that force Toyota coming to the troublesome crisis?
- How does Toyota handle this crisis in order to retrieve its reputation?
- What are the Swedish consumers' perceptions of Toyota brand as the outcome of the crisis?

Although this research is inspired by an empirical case, the findings would also help to develop our understanding on how an organization can more effectively respond to crises, as well as building new knowledge to the area of corporate reputation and crisis management. It can also draw practical implication for crisis managers in auto motor and other industries.

RESEARCH METHOD

This study is done in a way of focusing on the Toyota case, it is therefore a case study that has an emphasis on empirical finding. Through empirically studying the Toyota crisis, which typically represents organizational crisis, the intent of this research is to develop an understanding of organizational response to crises and brand images management in auto motor industry and other industries. An explorative research along with descriptive characteristic is thus employed, by raising open questions to illustrate the crisis phenomenon and try to explore relatively new knowledge for organizational crisis management. A qualitative strategy is selected for formulating questions, purpose and gathering data. Characteristics of this approach are closeness to the respondents, to capture their values, attitudes and perceptions based on their own words and meanings (Bryman and Bell, 2007).

According to the study purpose and the research questions placed above, this research is conducted from two perspectives: the Toyota itself on a general base and the vehicle consumers in a specific market. When formulating the purpose and research questions, here raise a problem with the selection of consumer respondents. Although the Toyota crisis occurs on a global level, it is impossible to conduct the research targeting consumers in all the markets around the world. Furthermore, compared to the United States where triggered the crisis and dominantly receive extensive coverage negatively related to Toyota's stumble, other countries and regions that are involved in the recalls are less focused and could present more pertinent opinions toward this issue. Consequently, in order to gain more reasonable insights, I would like to look into a specific market instead of American market. Since I live in Halmstad city of Sweden, the sampling respondents – Toyota dealer and vehicle consumers – will be targeted within Halmstad city, for the purpose of convenient location to conduct the research.

In order to elaborate on the Toyota crisis, secondary data associating with Toyota crisis on global level is examined and collected initially through different sources, such as media coverage, official releases from government regulatory bodies, critics' comments in journals, and Toyota official websites. This is done to provide an overview on what exactly happen in Toyota connected to the crisis basically. In addition, to be more specific, primary data collection is considered significantly critical since it is a more exploratory-oriented study. In this research, face-to face interview manner, which is one of the most important sources for a case study (Yin, 1994), is employed to investigate the reflections toward this crisis both from Toyota's dealer and vehicle consumers in Halmstad city. Consequently, in Toyota dealer store which is named as *Toyota Center in Halmstad*, a face-to face Interview with the sales executive is conducted, lasting about 40 minutes by following a semi-structure interview guide (see Appendix I). On the other hand, the consumer respondents are randomly targeted by separating into two distinct groups: 1) Toyota customers, who own Toyota cars or have the intention to buy a Toyota car, are found when they are visiting in Toyota dealer store; 2) other consumers, who are using other brands' car, are randomly selected in some gasoline stations or large parking places in Halmstad city. It might be interesting to make comparison between these two consumer groups for the possibility to draw valuable insights on consumers' perception of Toyota brand and the crisis. As a result, total 21 consumer respondents are interviewed (9 Toyota consumers and 12 other brands' consumers). The interviews with consumer respondents last with a range of time from 3 to 6 minutes respectively. Although pre-designed interview guides are used as well (see Appendix II & III), questions for consumers are asked flexibly and may not follow on exactly in the way outlined on the schedule (Bryman and Bell, 2007). This is to allow the consumer interviewees to have a great deal of leeway in how to reply according to specific situations (ibid).

Despite the collected numbers of consumer respondents are too small to cover the whole sampling population in terms of generalization, it's important to note that this research is not aimed to simply generate a universalized outcome covering the whole Swedish vehicle consumers. Instead, it intends to capture consumer respondents' cognitive and affective values, attitude and perception, to explore new insights based on their own words. Their responses collected on a face-to-face interviews basis are therefore considered as valid and reliable to achieve this inclination, as well as to some extent standing for what the Swedish vehicle consumers really perceive toward the Toyota crisis.

LITERATURE REVIEW

When facing a crisis the former and present reputation of a firm would be shaken, and it might be twisted in something unfavorable for the organization. How a firm communicatively responds to the crisis can influence its stakeholders' perceptions of the corporate reputation, and in turn impact their future purchase intentions. In this part, theoretical literature regarding corporate brand and reputation, crisis management and consumer perception about the post-crisis outcomes are mainly reviewed in order to serve as pre-understanding knowledge for better analyzing the Toyota case later on.

Corporate Branding and Reputation

A brand can convey a numbers of facets, such as attributes, benefits, values, culture, personality, and user identity (Kotler, 2003). Through a set of symbols and characteristics a brand convey, consumers

can easily identify what a brand stand for, what value it represents, how it differentiate from others. Corporate branding draws on the traditions of product branding with the same objective of creating differentiation and preference to customers, while it involves more complex activities at organizational level, and requires to manage interactions with multiple stakeholder audiences (Knox and Bickerton, 2003). Branding on corporate agenda has been increasingly recognized as a strategic tool that leads to a dramatic extension of the applications and scope of branding (ibid). Urde (2003) emphasizes that the importance of core values created in corporate branding process, in which the core values are linked to organizational mission, vision, culture and organizational values, all of which affect the brand architecture, product attributes, brand positioning and communication strategy. Consumers tend to identify with the personification of brands through the association of the companies or brands to traits such as values, characteristics, attitudes, and ideals. Therefore, to personify the corporate brand, the impressions that the communication creates must be consistent with the values that the company claims to stand for (Urde, 2003). In addition, Benefit associations provide a central reason for consumer's choice of a specific brand over other in the category (Dawar and Lei, 2009). To gain customer-based brand equity the consumers must be aware of, and familiar with, the value offering (brand awareness), and hold brand associations that are strong, favorable and unique in comparison with other brands offered in the same category (brand image) (Petruzzellis, 2010).

Corporate reputation is the cornerstone in corporate branding. It is of significant importance to all organizations, regardless of being commercial, governmental, or not-for-profit organizations (Watson, 2007). Essentially, corporate reputation is an aggregate evaluation made by stakeholders of how well a company is meeting stakeholder's expectations based on its past behaviors (Wartick, 1992). The value of a brand is determined by both its tangible and intangible assets, and brand image and reputation forms a critical part of the intangible assets (Wang, 2005). Fill (2006) suggests that reputations are developed over time from the image, and it is more embedded and stable; while image is more transient and can be instantaneous and reality superficial. Watson (2007) argues that reputation does not occur by chance, it relates to leadership, management, and organizational operations, the quality of products and services, relationships with stakeholders, and communication activities and feedback mechanisms.

A favorable corporate reputation can convince the undecided to choose a certain product or service and dissuade existing customers from moving to a competitor; whereas a damaged reputation can be irreparable and, in extreme cases, lead to a company's downfall (O'Rourke, 2004). Fombrun (1996) claims that in order to build a favorable reputation four attributes need to be developed: credibility, trustworthiness, reliability and responsibility. Everything an organization does, and does not do, has a direct impact on their reputation (Dolphin, 2004). Stakeholders will develop expectations as to how the firm will act in a given situation. When customer's expectations are satisfied, they will feel safety, credibility, and security as perceived value in this relationship, which all together increase trust and then enhance customer's loyalty (Ravald and Grönroos, 1996). However, failure to meet those expectations may cause a negative reputational impact. Furthermore, despite firms have achieved overall and continued marketing success, it would appear that the reputation of corporate brands can be tarnished when facing crises (Fill, 2006). Therefore, reputation may offer both benefits and challenges to organizations. Nevertheless, the strength of the brand, as well as the management's

flexibility and willingness to be open and transparent with questioning publics, can protect the organization's reputation in the long run (ibid).

Crisis Management

In such business environment the need of a robust, corporation-wide plan to deal with unexpected crises is required. Crisis management researches investigate the essences of organizational crises and how appropriate organizational response influences post-crisis outcomes for the entity involved (De Blasio and Veale, 2009). Through crisis management planning and implementation, organizations can be better prepared to deal with unforeseen events that may cause serious or irreparable damage (Zhao and Fan, 2007).

Threats of Crisis

Crises are rare events that disrupt the normal operations of an organization, with knocks on the implications for its assets, its future relationships with a company's stakeholders and which threaten the very survival of the organization (Carroll, 2009). Crises are seen as threats to the organizational reputation, and could harm an organization's future profitability, growth and possibly its survival (Tucker and Melewar, 2005). The extent to which a crisis threaten corporate reputation is rather complex. Some crises can be sudden and unexpected while others can be the result of problems that festered over time (Greyser, 2009). A business might face local citizens, competitors, industry commentators, statutory bodies, pressure groups, the media and academics as influencers of its reputation (Tucker and Melewar, 2005). Greyser (2009) proposes some typical sources of corporate brand crises, which are caused by: product failure, social responsibility gap, corporate misbehavior, poor business results, executive misbehavior, poor business results, loss of public support, and controversial ownership, etc.

Tucker and Melewar (2005) argue that news media and internet are certainly a substantial threat to any corporate reputation since the public are more sensitive to a corporate scandal. When a crisis emerges, a wide range of stakeholders are adversely affected by a crisis including community members, employees, customers, suppliers and stockholders (Coombs, 2007). Most stakeholders will learn about a crisis through news reports and online social media, therefore the news media and the internet play a critical role in affecting people's perception in a crisis (ibid). The headline-hungry media has vicarious appetite for obtaining newsworthy material. Their claims often go unchallenged if there is a possibility to create a sensational story (Tucker and Melewar, 2005). There is also the temptation for journalists to sensationalize any 'corporate gossip' which they might hear, in order to maximize their own revenues, especially in the powerful news (ibid).

As a result, crises pose certain risks to an company – potentially affecting critical aspects like reputation, image, brand equity, credibility, publicity, financial viability, legitimacy, community standing, etc. (Smudde, 2001). The more respected a firm's reputation the more sensational a corporate scandal will be and so these firms are subjected to the most intense scrutiny (Tucker and Melewar, 2005). A corporate reputation needs to be stable and consistent, if it is to withstand the scrutiny of many factors influencing it (Greyser, 2009). If a reputation shift from favorable to unfavorable, stakeholders can change how they interact with a corporate, and they may even server

ties to the organization and/or spread negative word of mouth about the organization (Coombs, 2007).

Crisis Communication Strategies

When facing a crisis, how the company handles the crisis and what the reputation of the company is viewed by stakeholders may imply whether the firm can survive/recover or not. It's critical for organizations to recognize what is the issues generating the reputational threats, who is/are involved, and figure out what and how to respond the crisis (Greyser, 2009). In crisis management, corporate communication is widely acknowledged to play the key role in overcoming crises and repairing reputation. Sturges *et al.* (1991) suggest that communication content as a component of crisis management must meet three needs depending on different objectives: 1) instructing information tells stakeholders how they should behave in a crisis context; 2) adjusting information allows affected stakeholders to cope with the emotional aspects of crisis; 3) internalizing information is absorbed by stakeholder members and forms the basis for long-term judgments about the organization's image as it endures a crisis. This is supported by Coombs (2007), who argues that since a crisis causes uncertainty and stress for the stakeholders, companies need to be more open with sincere information to their stakeholders in order to helps them cope with the psychological threat from the crisis; furthermore, stakeholder want to know what corrective actions are being taken to protect them from similar crises in the future and thereby reduce their psychological stress.

When examining the role of corporate communication in crisis situations, the theory of image restoration have become perhaps the most dominant paradigm in this field (Dardis and Haigh, 2009)). Based on image restoration theory, Benoit (1995, cited in Fortunato, 2008) identifies a typology of five main communication strategies that can be used to restore image and reputation in face of crises:

- (1) *Denial strategy* – the organization attempts to remove any connection between the organization and the crisis by claiming that there is no crisis and offers a simple denial that it did not perform the act in question.
- (2) *Evasion of responsibility* – the organization attempts to reduce responsibility for the crisis by claiming that it was either forced into the crisis by another culprit and its inability to prevent the crisis that causes a mistake, or there were good intentions in its act.
- (3) *Reducing the offensiveness of the crisis* – the organization attempts to minimize perceived damage caused by the crisis and reinforce the good traits of the organization by creating a more complete context with which the organization should be evaluated.
- (4) *Corrective strategy* – the organization implements steps to solve the problem and prevent a repeat of the crisis by taking corrective actions;
- (5) *Mortification strategy* – the organization takes full responsibility for the crisis and asks for forgiveness.

Based on Benoit's typology, Coombs (2007) characterizes crisis response strategies by their level of acceptance by critical stakeholders. He identifies a full apology as having very high acceptance, where the organization takes responsibility for the crisis and requests forgiveness from stakeholders. There is also high acceptance for corrective action, where the organization conveys a notion that actions are being taken to prevent a recurrence of the crisis; while a denial strategy has no

acceptance even when the crisis occurred or attacking the accuser (Fortunato, 2008). However, in rumor and challenge crises, managers need to deny and argue that there is no 'real' crisis (Coombs, 2007).

To effectively implementing different kinds of response strategies, crisis management often has a strong focus on public relations to recover any damage to public image and assure stakeholders that recovery is on-going. Public relations is defined as the practice of managing communication between an organization and its publics (Huang, 2004). It enables the organization to expose themselves to stakeholders by using topics of public interest and news items. It is usually conducted in communication activities including speaking at conferences, working with social media, interacting with stakeholders, etc. In public relations, researchers also argue the need to form an executive 'crisis-handling team' directing to crisis response. Because the crisis-handling team can provide access to detailed crisis plans, control knowledge in terms of tactics, empirically established relationships, propositional facts, and strategies for making use of factual and procedural knowledge (Nunamaker, Weber and Chen, 1989, cited in Hale, 1997). In addition, the role of CEO is recognized to be important spokesman in crisis communication, as corporate reputation and CEO reputation are increasingly intertwined and the CEO is inevitably cast in the role of chief communicator (Watson, 2007).

Therefore, what an organization says and does during/after a crisis can affect a variety of important crisis communication outcomes including the organizational reputation, anger, negative word-of-mouth, and account acceptance (Coombs and Holladay, 2009). Choosing appropriate crisis communication responses mitigating negative consumers, public and stakeholders' perceptions are critical to managing corporate reputation (De Blasio and Veale, 2009).

Consumer Perception of the Post-Crisis Outcomes

As mentioned above, how effectively a company deals with a crisis will influence the post-crisis outcomes related to its survival or recovery. The more acceptable the crisis communication strategies are to consumers, the less serious outcomes occur to the company. In addition, the post-crisis outcomes perceived by consumers are also determined by other factors, such as consumer attribution of crisis responsibility, and company's prior image and reputation, which will be discussed as follows:

Crisis Seriousness and Crisis Responsibility

According to Coombs and Holladay (2002), the evaluation of a crisis situation and its reputational threat to a company is largely a function of consumers' attributions of crisis responsibility, which implies how much consumers believe organizational actions caused the crisis, and whether the crisis was accidental (e.g., technical error) or intentional actions (e.g., human errors) by the organization. They identify the relationship between attributions of crisis responsibility and the threat to reputation through a range of crisis types, which are classified into three clusters based on attribution of crisis responsibility: 1) the victim crises (e.g., natural disaster, rumor, workplace violence and product tampering), in which the company is regarded as a victim of the crises and thus is attributed to have low level of crisis responsibility; 2) the accidental crises (e.g., technical-error accidents, technical error, product harms and challenges) are considered unintentional or

uncontrollable by the organization, and thus cause moderate attributions of organizational responsibility; 3) the preventable crises (e.g., human-error accident, human-error product harm and organizational misdeed) are viewed as intentional and inappropriate actions taken by organizations to place people at risk, or violate a law/regulation, thus lead to high attributions of crisis responsibility (Coombs and Holladay, 2002; Coombs, 2007). Crisis responsibility is negatively related to corporate reputation (Coombs, 2007). The more responsible an organization is held to be for a crisis, the more negative the perceptions and the greater the damage to brand, image and reputation (De Blasio and Veale, 2009). Hence, a preventable crisis which leads to greatest attributed crisis responsibility in turn results in the greatest harm to organizational reputation (ibid).

Crisis responsibility triggers affective reactions as well as being a reputational threat, especially the intentional crisis cluster (Coombs, 2007). Negative emotions can cause stakeholders to criticize a company (engage in negative word of mouth) or to cease interactions with the organization (ibid). The more serious a crisis is perceived to be, the more involved the public become, the more negative emotions are triggered and, subsequently, the greater damage posed to organizational reputation (De Blasio and Veale, 2009).

The Effect of Favorable Prior Brand Image and Reputation

Researchers have demonstrated that good prior brand image and reputation have the potential to protect a company from harm caused by crises (Dawar and Pillutla, 2000; Coombs and Holladay, 2006; Dawar and Lei, 2009). When encountering negative publicity, consumers differentially weight aspects of the crisis information, such as the dangers of the product and the firm's responsiveness, depending on their prior expectations (Dawar and Pillutla, 2000). The informational basis and other strength-related characteristics of a prior attitude will influence subsequent judgments and evaluations (Pullig, Netemeyer and Biswas, 2006). Dawar and Lei (2009) suggest that consumers perceive familiar brands to carry less "responsibility" for the crisis, because when a crisis occurs at a familiar brand, consumers' direct or indirect experiences with the brand will allow them to easily retrieve the pro-attitudinal information, which in turn reduces the influence of the crisis information. Therefore, the positive prior evaluations of familiar brands create a hypothesis-confirming context in which consumers interpret crisis information, leading to diminished negative impact on brand evaluations (Dawar, and Pillutla, 2000). In this way, Consumers' existing positive expectations may provide firms with a form of insurance against the potentially devastating impact of crisis (ibid).

By linking benefit association with a brand, Dawar and Lei (2006) argue that the perceived seriousness of a crisis and the impact of the crisis on brand evaluations are a function of the relevance of the crisis to the brand's key benefit associations. Since benefit association provide a central reason for consumer's choice of a specific brand over other in the category, consumers may assess how seriously the crisis damages the brand depending on how relevant the crisis is to the key associations (Dawar and Lei, 2006). The less relevant the crisis is to the key associations, the less serious the crisis is perceived, the fewer damages occur to the brand image.

In addition, proposed by Coombs and Holladay (2006), a favorable prior reputation can act as halo effect that protects an organization's reputation during a crisis in two aspects: 1) halo as benefit of the doubt, which means if a consumer holds a general favorable view of the company, the consumer might assign the company less crisis responsibility which in turn result in less reputational damage

from the crisis; 2) halo as shield, which serves as a part of the larger psychological phenomenon of expectancy confirmation, emphasizing that stakeholders will focus on the positive aspects of the organization and ignore the recent negative information created by the crisis. In these ways, a good prior reputation perceived by consumers plays as halo effect that has the potential to reduce its attributed crisis responsibility and dismiss the impact of the crisis on the brand (Coombs and Holladay, 2006). Therefore, the stronger and more positive the organizational image and reputation, the more resilient it may be to potential damage to its reputation.

Post-crisis Reputation and Buying Intention

On a macro-level, an organization is expected to suffer some loss in reputation capital from a crisis (Coombs and Holladay, 2006). As discussed above, how much reputational damage occur and how about the post-crisis reputation looks like in the mind of consumers may mainly rely on how the consumers perceive the company's prior reputation and brand image, attributed crisis responsibility, and its handling of the crisis (Coombs, 2007). The more positive these aspects they have perceived, the less negative post-crisis reputation they declare, and the more likely they generate positive attitude and behavioral consequences for the company, such as, loyal attitude, buying intentions; vice versa (ibid). Consumers' overall perceptions towards a company in the context of crisis can affect consumer's trust in that company and its product and service (De Blasio and Veale, 2009). According to Morgan and Hunt (1994), trust is one of the most important moderators of long-term relationship; it plays an important role in developing loyalty. Corporate reputation is rooted in trust and ethically shaped over time, and can be a highly visible signal of an organization's capabilities and reliability providing information about future performance (Dolphin, 2004). When consumers hold good overall perceptions about the affected company, they are likely confident that the company will correct its mistakes from the crisis and has the capability to perform better in the future, on the basis of their trust beliefs. Trusts are developed in relationship, where consumers have direct interactions with the company over times. Such consumers' experience-based beliefs are powerful, it reinforce and strengthen the brand meaning with existing customers, generate positive word-of-mouth, and stimulate new customer trials (Berry, 2000)

TOYOTA CASE FINDINGS

Toyota is the one of the world's largest automakers, based in Toyota, Aichi, Japan. Since its establishment in 1937 in Japan, Toyota has a long history of building safety, reliable and high quality vehicles. Today, the company manufactures vehicles and parts at 53 production sites in 27 countries and regions around the globe, with a variety of sub-brands categories such as Lexus, Yaris, Corolla, Camry, Toyota trucks, and the world's first gas/electric hybrid Prius, etc. (Toyota website). Its vehicles have been well known for quality, reliability and fuel efficiency. Recent years, Toyota's fast global expansion made it successfully exceed General Motors in production and sales in 2008 to become the world's largest automaker. Its success has long been regarded as the pinnacle of Japanese innovation, manufacturing quality and industrial strength (The Economist, Feb 13, 2010). Its "lean" manufacturing techniques and culture of continuous improvement were the envy of the business world (ibid). This pioneering lean manufacturing technique includes continuous process improvement, flexible production with just-in-time principle, and removing waste without removing

value (Angel, 2008). So far, America has become Toyota's largest market, where Toyota is rank as one of the top-selling brands (Toyota USA website).

Toyota Crisis Overview

However, Toyota's leading position has changed since the end of 2009. A highly publicized fatal crash of a Lexus ES 350 happening on August 28th, 2009, which killed four passengers of a family inside the car in United States (Los Angeles Times, Oct 25 2009), has triggered Toyota's largest officially recalls and brought Toyota to the crisis misery. So far, Toyota has announced recalls of approx 9 million vehicles globally across a wide range of its sub-brands (Toyota website), due to problems associated with "unintended acceleration". According to Stewart (2010), Toyota has a full-blown crisis on its hands, but the problem has been compounded by a long-delayed and less-than-reassuring response from Toyota.

By looking back from the beginning of the horrific Lexus accident, quality complaints and safety problems involved in Toyota vehicles have been brought to light with the increasing investigations by The National Highway Traffic Safety Administration (NHTSA) in North America. Toyota American Sales organization (TMS) previously attributed the problem in the Lexus to an incompatible floor mat that may potentially interfere with accelerator pedal (Los Angeles Times, Oct 25th 2009). They issued a public safety advisory on Sep 29th 2009 inform the owners of specific Toyota and Lexus models of the ill-fitting floor mat problem, and then followed by the first large-scale recall announcement in November 2009 for remedy of this problem (Toyota USA Newsroom). However, Toyota's explanation of ill-fitting floor mats was questioned by NHTSA, stating that the problem was "related to accelerator and floor-pan design" (Stewart, 2010). Consequently, the problem of gas pedals that get stuck led to Toyota's second large recalls of 2.3 million vehicles in U.S. market, as well as the third recall announcement of 1.8 million vehicles in European markets in January 2010. Meanwhile, Toyota released the decision about temporarily suspending production at most of its North American plants and halting sales of eight popular models in U.S. market (Toyota USA Newsroom). These issues put Toyota's reputation at a high risk. Suspicion and criticism toward Toyota were full of headline among mass media, especially in North America.

By late January 2010, Toyota began issuing apologies and promises to do better; its engineers brought up a fix for the accelerator pedals and began rushing it to dealers around the world (Welch, 2010). In face of the blame from mass media presses, Toyota maintained that the recalls and actions were taken voluntarily rather than the insistence from NHTSA, with the intention to "help ensure the safety of our customers and restoring confidence in Toyota", according to Group Vice President and Toyota Division General Manager Bob Carter (Toyota USA Newsroom). Subsequently, Jim Lentz, president of Toyota's U.S. organization TMS, apologized for the recall and acknowledged it was embarrassing for the company that built its reputation on the reliability of its vehicles (Linebaugh, Mitchell and Wakabayashi, 2010). Despite Toyota announced remedy solutions to fix the recalled cars, fresh reports of sudden-acceleration incidents continued to crop up from American Toyota owners involving vehicles excluded in the recalls, raising suspicions that whether the company has identified all of the factors that could cause unintended acceleration, which was closely linked to a failure of vehicle's heart 'the vehicle electronic throttle control system' (ibid). In a conference call with reporters, Mr. Jim Lentz gave explanation that "these two fixes solve the issues that we know

of," and "we have done exhaustive testing, and we have found no evidence of problems with the electronics" (ibid). Akio Toyoda, Toyota's CEO, issued his public apology candidly at a news conference in Tokyo on Feb 5th 2010, emphasizing that they will "go back to the basics of "customer first" and "genchi genbutsu"(means 'go to the source to find the problem') by improving products quality around the world. He added that he will be the head of a global quality task force newly formed to lift quality standards within the company (Toyota Website).

However, bad news seemed not to end up. Toyota's tragedy were aggravated again with their further recall announcements in February 2010 including: the Hybrid vehicles containing the celebrated Prius with antilock brake problems in Japan and American markets; and the Tacoma trucks with drive shaft problems in American regions (Toyota USA website). After years of being the benchmark for quality, Toyota has been losing its edge even as its rivals catch up (Welch, 2010). Some analysts estimated that the immediate impact of Toyota's global recalls and sales stoppages could cost Toyota more than \$2 billion USD (Trottman and Mitchell, 2010; Businessweek.com). Meanwhile Toyota could be forced to spend considerable amounts on advertising, sales incentives and legal bills (Linebaugh *et al.*, 2010). Moreover, Toyota has been blamed for its misreading and mishandling of the crisis. The longer-term damage to the automaker's brand could be much larger, according to Linebaugh *et al.* (2010).

To respond those negative issues, Toyota maintains that they never misled regulators and they properly responded to potential safety problems (Linebaugh, *et al.*, 2010). "We're committed to doing everything we can – as fast as we can – to restore consumer trust in Toyota, and these recalls are part of this effort," said Mr. Jim Lentz (Toyota USA website). Toyota President Akio Toyoda also outlined the company's plans for earning customer trust back, stating that: "we are taking responsibility for our mistakes, learning from them and acting immediately to address the concerns of consumers and independent government regulators" (Toyota website). As BusinessWeek reported on Jan. 29, the company planned to break its silence, with an explanatory newspaper ad, as well as more tools such as the internet, social media, cable TV, etc. (Bush and Thomaselli, 2010). Special recall web pages were created in late January 2010 with latest recall and repairing information, along with posing some updated statements officially released by Toyota. Through various online or offline communicating tools, Toyota has attempt at highlighting its existing goodwill on, for instance, innovative technologies, excellent engineers, brilliant history, as well as its consistent social mission for making contribution to sustainable environment.

In the American market, in order to solve quality problems involved in its cars, one area that Toyota has to focus on is how it manages its relationships with suppliers, which as outside firms play a big role in making engineering components for Toyota (Welch, 2010). There are reports pointing out that in recent years Toyota has been demanding that suppliers make parts more cheaply (ibid). Those accelerate pedals which had the potential sticking risk were mainly made by Toyota's major supplier CTS Corp. Toyota American organization addressed that they have been working closely with supplier CTS on a revised design that effectively remedies the problem associated with accelerator pedals. In addition, an independent North American Quality Advisory Panel consisting of external distinguished group of safety and quality experts has been formed to advise the company's North American affiliates on quality and safety issues. In retrieving customers, TMS in March 3rd 2010 announced plans to launch the company's most far-reaching sales promotion programs for American customers

includes 0% APR financing, low leasing rate, and complimentary two-year premium maintenance offers (Toyota USA Newsroom). Although Toyota has working on the crisis, the way they handling the crisis in United State seems not easy to go: they had to confront with three times testimonies in the American Congressional hearing; to pay \$16.4 million civil penalty imposed by NHTSA for accusing Toyota of a deliberate delay in recalling the vehicles by hiding its defects; and Toyota have been withstanding intense investigation from U.S. governments and extensively keen-edged coverage from mass media. Dealing with the issues after a serious crisis is a long way to go before everything is back again. As Toyota stating, they are now “working as one, and putting all their efforts into new initiatives aimed at rebuilding consumer trust and contributing to society through our products and services.” (Toyota website).

In sum, the following table shows the related events including five times’ major recalls and other issues that lead to the escalating crisis involved in Toyota since August 2009:

Table 1 – Toyota crisis events

<i>Aug.28th, 2009</i>	A fatal crash of a Lexus car in USA due to the gas pedal was stuck was highly publicized that brought “unintended acceleration” problems of Toyota cars to the light with increasing investigations by NHTSA in USA.
<i>Late of Sep. 2009</i>	Toyota attributed the problem in the Lexus to the incompatible floor mat, but their explanation couldn’t convince NHTSA and public in USA.
<i>Sep. 29th, 2009</i>	Toyota issued a public safety advisory suggesting owners of specific model about the ill-fitting floor mat issues in North America.
<i>Nov.25th, 2009</i>	1st large Recall for potential accelerator pedal entrapment problems (ill-fitting floor mat), U.S. market, 4.2 million vehicles.
<i>Jan. 21st, 2010</i>	2nd large Recall for sticking accelerator pedal problems, U.S. market, 2.3 million vehicles covering 8 models.
<i>Jan,26th, 2010</i>	Toyota Temporarily suspends production and sales of selected vehicles in the U.S. market.
<i>Jan,29th, 2010</i>	3rd large Recall for potential accelerator pedal issues, European markets; 1.8 million vehicles.
<i>Late Jan. 2010</i>	Toyota began issuing apologies and breaking silence with response to the crisis under the tense pressures from public media and governments in America.
<i>Feb.5th, 2010</i>	Toyota’s CEO Akio Toyoda made public apology for the recalls and announced global quality task force for focus on quality issues.
<i>Feb. 09th, 2010</i>	4th Recall for antilock brake system (ABS) software problems on 2010 model-year Toyota Prius and Lesus HS 250, Japan and U.S. markets.
<i>Feb. 12th, 2010</i>	5th Recall for inspecting the front drive shaft on 2010 model year Tacoma 4WD trucks, U.S. market.
<i>Late Feb. to Mar.2010</i>	Three times testimonies to the Congressional Hearing in USA.
<i>Apr.19, 2010</i>	Toyota agree to pay \$16.4 million civil penalty imposed by NHTSA in USA related to Toyota’s recall for slow-to-return and sticky accelerator pedals, but Toyota denies NHTSA's allegation that it violated the Safety Act or its implementing regulations.

Source: Toyota Website (2010)

Toyota Crisis in Sweden

From the above information we could find that the serious impacts of the crisis on Toyota were mostly coming from the United State. To investigate the influence of the crisis in a more specific way, Halmstad market in Sweden is researched. The following sections present the primary data collecting from interviews with Toyota's dealer and car consumers in Halmstad city, showing what the Toyota crisis is perceived in Swedish market.

Toyota Swedish Dealer's Reflection

Compared the strenuous troubles in USA, it is surprising to find that Toyota has a different situation in Swedish market. The crisis is not a really big deal that influence Toyota brand in Sweden. According to the sale executive in Toyota center in Halmstad of Sweden, what recently happened in Toyota is not a big issue since those quality problems never happen in Toyota's vehicles in Sweden. He insists that Toyota didn't have real quality problems with its cars, all the recalls made by Toyota are voluntary for the purpose to reduce potential risks within the affected models as well as reassuring its customers; the recall is normal issues in car industry, there are no repairs in the recalled vehicles but just little modification to make the affected cars even better. Those negative coverage related to Toyota in USA are not consistent with what things really are within Toyota. "When you became largest, the other competitors envy you and always want to put you down, this would happen in many biggest companies not only in Toyota", the dealer says. While the recall news were exposed negatively, they would tend to eliminate unnecessary anxieties among customers through clarifying what really happen in Toyota when the customers made calls. "We explain to customers and assure them there are no such problems happen in Sweden; we never want to sell cars with brake problems or something defective; we are always concern about our consumer, concern about the safety quality of our cars."

According to the interviewed sales executive in Toyota Center in Halmstad, they have a head office named Toyota Sweden AB in Stockholm, which is responsible for guiding and communicating with other dealers around Sweden, as well as in charge of the recall issues in Sweden. Swedish dealers can get consultant advices from this head office. Accordingly, when Toyota officially released the recall announcements of affected vehicles involved in Sweden, Toyota Sweden AB in Stockholm is responsible for informing the Swedish owners of the affected cars with mail letters, by suggesting those consumers to contact their local dealer for arranging fix appointments. The interviewed sales executive states that they are satisfied with the interaction process with the head office in Stockholm; they are confident that Toyota is taking effective and professional measures in dealing with the problems. As for consumer complaints, he points out consumer complaints could always take place due to different daily indisposition in cars, regardless of the recalls issues happen or not.

Since Toyota in Sweden didn't have the similar issues as exposed in USA, the recall crisis do not have significant impact on the sales of the dealer. "We don't have the same problems, but it of course more or less influences our sales when bad things were reported", the interviewed sales executive says, "I'm not sure how much the effect occur, but in Sweden that [issues] haven't affected [us] too much, because now we are selling the same numbers as we did a half of year ago, so I don't think Toyota's situation is really bad in Sweden."

Swedish Consumers' Reflection

Since the consumer respondents can be separated into two distinct groups – the Toyota customers and other brands' consumers, it is interesting to compare their reflections to see how the both groups' consumers perceive differently on Toyota crisis as well as the brand. Some typical statements among the consumer respondents are showed in Table 2, which clearly reflects their cognitive and affective opinion toward Toyota crisis and the brand.

The Toyota customers. The respondents within this group are mainly found in Toyota's store. Some of them have owned Toyota cars before, while the others are new customers who didn't have Toyota cars but visit the dealership store with purchasing intentions. The Toyota customers as observed are mostly in the middle age and elderly people, who usually tend to drive the cars with relatively lower speeds within cities.

Being less influenced by news coverage about the crisis, Toyota customers in Sweden are not as sensitive as American stakeholders perceive toward negative aspects of Toyota, such as quality problems, delayed handling crisis, etc. Being different from the affected American consumers, Toyota owners and new customers in Sweden do not exhibit much anxiety and panic by the recall events. Their attitudes toward the issues are mostly depended on their real past experiences with the brand or friends' word-of-mouth effects. Accordingly, customers in this group have showed relatively loyal attitude toward Toyota, as well as presenting strong affective bonds to the brand. Their opinions about the brand are kind of positive even though Toyota is undergoing the troublesome crisis. They tend to trust in Toyota's reputation, without perceiving the crisis as big as what has been reported in American mass media. Although with a little worry about potential safety problem, most of loyal consumers still think that Toyota cars are quality and energy saving with relatively good prices. Despite realizing that Toyota is getting some troubles with the massive recalls and involving serious problems in USA, they believe that Toyota will solve this out and make it better in the future. Still, when stepping into Toyota dealership store, these customers would be willing to buy Toyota cars according to their own interests and needs, regardless of recall events.

The other brands' consumers. Compared with the above Toyota customers groups, the respondents within this group have shown relatively different opinions toward the crisis issues and Toyota brand. Since the respondents in this group are randomly selected in gasoline stations and parking places in Halmstad city, the backgrounds of the interviewees are mixed across a wide range of age, with different professions and interests. Therefore, their answers are various, depending on their background and the degree of awareness of the recall issues. Those who have little knowledge about Toyota's troublesome recalls show little interests in talking about the crisis. While, the others who know much about cars are more willing to share their knowledge, which help to increase the opportunity to gain more deepened insights about the case.

Since the interviewed consumers of this group are using other brands' cars, most of them do not have direct experience in driving Toyota cars. Their knowledge about Toyota mainly depend on their awareness of Toyota's brand image, as well as making evaluation by instinctively comparing Toyota with the brands they are using. Furthermore, most of them admit the situation in Toyota is kind of troublesome in USA but not in Sweden. They think car recalls is normal in car industry, not only happen in Toyota. As for the buying intention, most of the respondents in this group reveal their

Table 2 – Typical Statements of Swedish Vehicle Consumers

	Toyota customers (owners and new customers)	Other brands' consumers
Prior brand Image	<p>"I have a Yaris and it is reliable and economical."</p> <p>"Toyota is my favorite brand,...we driving too much, me and my wife, we are saving for much gasoline, saving about 7 thousand SEK per year."</p> <p>"Capability, good technology, good service, and you can go with very good quality."</p> <p>"My friend who works with cars said it is a good car, and you can get a good car for nice money."</p>	<p>"I think it's a wide brand with high function."</p> <p>"It's about fuel efficiency and fit for those who want an economical car, but if you enjoy fast driving, Toyota is not that kind."</p> <p>"Toyota could be good in sustainable and innovative things, but since I'm Swedish, I more prefer our national brands which also have very quality function and more suitable for my personality."</p>
Toyota Crisis	<p>"We have two Toyota cars [which have been] running so many kilometers and just worked perfect. There're not any such serious problems with my cars at all. I don't think the problem is really so big, but maybe the news media is more so become reporting problems than reporting good things."</p> <p>"[I've heard that they have] the problems with the brake and the gas pedal...but I don't think it is a serious problem, because the first I know it is a good brand for years."</p>	<p>"I don't think it is a bigger thing as media and newspaper report...it's serious of course what happen in USA, but it can happen in any cars and I don't think it's so important to quality safe. Maybe in USA I don't know, but in Europe I don't think so."</p> <p>"I'm not sure how exactly Toyota is handling this, I didn't read much about this, but I guess they'll solve this out with professional."</p> <p>"[As being an engineer working in another automaker], I know too much [about cars]... I don't think Toyota should take the full responsibility for the problem. It is always customer complaining accelerate pedal get to stuck, but maybe they press the accelerate pedal as the brake pedal, and they are so sure they didn't [do wrong]! So it's hard to handle those issues, and no one trusts the technical specialist from the car manufacturer thing. But I think Toyota should handle this earlier to be clearer to the customers and the governments. However, the picture we have is that Toyota have a long time trying to buy this down and just say we don't have any problems, and now they have this huge crisis caused by this."</p>
Crisis handling	<p>"Actually I haven't heard much about Toyota response... I do care about [quality], I see the news, but since I have good experience with Toyota, I still very trust in Toyota, they will be nice to recall the cars together and fix alright."</p> <p>"I got the recall notification letter, the dealer told me there was nothing wrong with it and that is just a voluntary recall for small modification. But since I more care about safety problem, I think Toyota parent company needs to report honestly what has happen, to be more open to the public."</p>	
Post-crisis reputation	<p>"Toyota has given me years of reliable service, and I've always had respect for Toyota. I believe they'll be getting better in the future."</p> <p>"Perhaps Toyota has some troubles right now due to such big recalls, but I hope Toyota gets this solved correctly and still retains their reputation."</p> <p>"Toyota will definitely have my trust as long as they stay honest and avoid the same mistakes happening again."</p>	<p>"Handling this serious now, keeping the public informed in time, then I think they may gain reputation again, but it takes time."</p> <p>"They have lost some credits from safety point of view right now because of the crisis. In two years, they will recover, but right now, maybe they have lost sales. They had sales stops [in America] because the recalls."</p>
Buying intention	<p>"So far it has been good, I want to buy another one."</p> <p>"This is the first time we checking Toyota, if the price is suitable, I would consider to buy one."</p> <p>"Because we drive mostly in the city, it is good to have a car that driven by electricity, not so much by gas."</p>	<p>"It depends on the price, and what it can help to hold money many years a car if it is new or not or whatever and the guarantee as well."</p> <p>"Buying a car is a big decision, I'll consider about price, service, insurance guarantee, quality, living place and other things as a whole, other than to be simply influenced by recall issues."</p>

Source: primary data collection from interviews with Swedish vehicle consumers

preference in the brands they are using, while pointing out that they would not be influenced so much by a recalled crisis, instead, what can really influence their buying intention depend on many factors as a whole, such as the price, the guarantee, the insurance, the design, brand personality, etc.

Overall, the perceptions of the Swedish drivers toward the Toyota crisis are quite mixed, but one common thread is that the Swedish respondents do not think the Toyota has so many serious quality problems as what extensively reported in America. Toyota' crisis situation in Sweden is comparatively less serious. The Swedish consumers all believe that Toyota will recover in the future and regain its reputation.

ANALYSIS

The analysis will be made on a basis of combination with the pre-understanding of crisis management theory and the empirical data, by answering the three research questions respectively as follows:

(1) What are the reasons that force Toyota coming to the troublesome crisis?

Crises pose certain risks to a company – potentially affecting critical aspects like reputation, image, brand equity, credibility, publicity, financial viability, legitimacy, community standing, etc. (Smudde, 2001). In auto industry vehicle recalls happen all the time and everywhere. However, the Toyota massive recalls show a very different situation and involves more serious consequences. We have seen that almost 9 million of Toyota vehicles around the world had to be recalled within a few months, and the potentially defective quality involved were mainly focused on unintended acceleration problems, which were closely related to the most important thing for drivers – safety driving. It's thus hard to believe that there was nothing wrong with Toyota's "quality" cars. The massive recalls were indeed a disaster for Toyota: not only means that they had to pay for the extensively financial losses due to repairing costs, market and stock share dropping down, production suspending, civil penalty, and other relevant expenses for dealing with the troublesome issues; but also it has heavily hit to Toyota's intangible assets – its brand image and reputation of quality, which have been ethically shaped over time (Fill, 2006; Dolphin, 2004) and in turn influence the brand value (Wang, 2005). Although Swedish consumers do not blame Toyota itself that much for the crisis, by looking through the whole process it is obvious to find that the sequentially massive recalls were not just a couple of simple faults mechanically in the complicated machine; there should be something ignorant in the their management. Reputational troubles can come in many forms, from a wide variety of causes and from many publics (Greyser, 2009). Elements that forced this on-top brand coming to such troublesome situation, particularly in North American markets, are various and complex. In general, there are both external and internal factors that bring Toyota to the troublesome situation:

Evidences have revealed that there were some "outside powers" that were forcing Toyota go even harder. Tucker and Melewar (2005) have found that news media and internet are certainly a substantial threat to any corporate reputation since the public are more sensitive to a corporate scandal. Here, the American news media played an important role in doing so. During the crisis time, the mass media were full of coverage related to Toyota recall issues. The recall headlines were spread everywhere and raised extensive attentions from mass audiences in America. The

headline-hungry media provide a voice unheard and their claims often go unchallenged if there is a possibility to create a sensational story (Tucker and Melewar, 2005). The more respected a firm's reputation the more sensational a corporate scandal will be (ibid). As a result, Toyota was subjected to the most intense scrutiny. Most of the relevant coverage were negatively reported and to a large extent raise stakeholders' uncertainty, confusion, criticism, questioning, non-confidence toward Toyota, of which Toyota's reputation and brand image perceived by stakeholder were pounding. In addition, as stating by Tucker and Melewar (2005), a business might face local citizens, competitors, industry commentators, statutory bodies, pressure groups, the media and academics as influencers of its reputation. Operating in an intense competition market, Toyota have never been far away from the pressures posed by US governments and regulators, the domestic competitors, as well as those affected stakeholders, since it was the North America where triggered Toyota's troubles.

Nevertheless, although there were outside forces that out of Toyota's control, to a large part it was Toyota itself that asked for the troubles. Internally, Toyota's self-misplay before and during the crisis time inevitably pushed itself to the fire. As one of the on-top automakers, Toyota's long success has been a remarkable benchmark under the guidance of its pioneering lean philosophy which is customer-driven and focus on building quality. Recent years, however, Toyota seemed to move away from its traditional philosophy in the road of its rapid global expansion. To keep its competitive edge, Toyota brushed off its traditional and steady but slow way to save cost; instead, they turned to demand supplier make parts cheaper (Welch, 2010). Urde (2003) emphasizes the importance of core values created in corporate branding process, in which the core values are linked to organizational mission, vision, culture and organizational values, all of which affect the brand architecture, product attributes, brand positioning and communication strategy. It is essential that the company remains true to these core value. However, Toyota's global expansion seemed to be too fast to ensure perfect quality maintaining. Losing focus on its core value – quality – led to incubation of the crisis over time. Furthermore, despite Toyota has taken active actions in responding to the crisis later on, its failure to respond to the crisis quickly and transparently at the beginning before the crisis erupted was also perceived as unable to control the crisis that even deepened the troublesome situations. The fatal accident happened on late August 2009, but until late of January 2010, Toyota just realized the seriousness of the situation and started to break silence. No matter how well Toyota reacted later on, there has been a sense among publicity that Toyota ignored and denied the problem until it was forced to take action. The fact that Toyota has had to announce a series of recalls within days implies that Toyota had lost the initiative to deal with the issues (making recalls under the insistence of NHTSA), rather than acting as agenda (making recalls voluntarily). Everything an organization does, and does not do, has a direct impact on their reputation (Dolphin, 2004). It is therefore obvious that Toyota's internal deviation in management largely called itself into questions.

(2) How does Toyota handle this crisis in order to retrieve its reputation?

Taking effective and appropriate action to deal with crisis is critical in crisis management. It is more important for organizations to recognize what is the issues generating the reputational threats, who is/are involved, and figure out what and how to respond the crisis (Greyser, 2009). As mentioned above, in the initial stage of the crisis, Toyota had been blamed for its clumsy response to the crisis. Central criticism to Toyota's problem is its perceived long-delayed and less-than-reassuring response at the first place. When recalls happen, auto makers are always embarrassing because it reveals

shortcomings in the vehicles for getting potential risks at hand. Toyota has built reputation on quality and reliability for years, as a result, any quality problems with its cars were threatening, and denial took over. When the fatal accidents occurred, they first attributed the problem in the Lexus to ill-fitting floor mat, and initially viewed the problem as relatively minor issue, keeping the problem under secrecy. But without transparent and reasonable explanations, it seemed to be unable to convince stakeholders, who viewed the issue from different perspectives, and require sincere, straightforward information from the firm to offset suspicions. As Coombs (2007) stating that, the first priority in any crisis should be to protect stakeholders from harms, companies need to be more open with sincere information to their stakeholders in order to help them cope with the psychological uncertainty from the crisis. However, Toyota's denial of the problems and less-than-reassuring response made things even worse. A denial strategy has no acceptance even when the crisis occurred or attacking the accuser (Fortunato, 2008).

Until late of January 2010, when the sequent recalls had to be announced, Toyota just realized the seriousness of the situation and started active response to the crisis in order to retrieve its reputation. They expressed apology publicly; brought out fix solutions to the affected vehicles; took advantage of mass media, as well as various online tools to communicate with stakeholders; organized special management teams to monitor quality issues; strived to make sure stakeholders that they are going back to its core values – looking at the processes, quality, and customers, and so on. At the same time, Toyota also highly made use of their established social responsibility which highlight that it has sought harmony between people, society, and the global environment, as well as the sustainable development of society, through their manufacturing (Toyota website). Referring to their crisis communication strategies, a combination of apology, reducing the offensiveness, and corrective strategy was implemented (see Fortunato, 2008), for the purpose of changing perceptions of stakeholders in crisis, reducing negative affect generated by the crisis, and protecting their reputation. Nevertheless, no matter how effectively Toyota reacted later on, there has been a sense among publicity that Toyota ignored and denied the problem until it was forced to take action. The most effective crisis management takes place before the problem escalates out of control. If Toyota acted in a right way from the beginning, things would not get worse to lose control, and they would get respect for honest. This is indeed a heavy lesson for Toyota in its crisis management.

(3) What are the Swedish consumers' perceptions of Toyota brand as the outcome of the crisis?

Despite Toyota was getting a severe strike to its brand and reputation from this crisis in the United States, surprisingly, the perceptions of Swedish vehicle consumers toward the recall issues display very different perspectives in viewing the impact of Toyota crisis in Sweden. Here, the reflections about Toyota brand and the crisis come from Toyota customers and other brands' drivers. When facing a crisis, what Toyota's brand and reputation actually looks like in the eyes of the both important consumers groups may imply whether Toyota can survive/recover or not in the future.

Perceived pre-crisis brand image

A strong brand is considered to have high brand awareness and good brand images basically. To gain customer-based brand equity the consumers must be aware of, and familiar with, the offering (brand awareness), and hold brand associations that are strong, favorable and unique in comparison with

other brands offered in the same category (brand image) (Petruzzellis, 2010). Toyota has been well-known by consumers in vehicle markets for decades. Hereby, among Swedish vehicle consumers, this famous Japanese brand can be easily recognized along with its typical features that make it different from other European and American brands. “Economical”, “fuel efficiency”, and “innovative” are the most frequent words used by Swedish consumers to express their overall impression about Toyota brand. This is consistent with the value offering that Toyota has attempted to deliver through its brand image built over years. While in more specific ways, consumers’ preferences are various, depending on their different backgrounds, self-interests, acquired information, and past experiences with the brand.

In the first consumer group – Swedish Toyota customers, consist of Toyota owners who have Toyota cars, and new customers who visit Toyota dealership store with buying intention. As observed, the Swedish Toyota customers are seldom those businessmen or freeway drivers; instead, a majority of Swedish Toyota customers are middle-age and elderly people, who tend to care more about economical and practicality characteristics with cars and most likely drive their cars at relatively lower speeds running within the cities. Thereby, they were/are highly attracted to the above favorable features, which as benefit association provide a central reason for consumer’s choice of Toyota brand over other in the category (Dawar and Lei, 2009). Most Toyota owners actually have good experiences with Toyota. In their mind, Toyota brand is considered to be, for example, “reliable”, “my favorite”, “very good quality”, “good service” etc. These customers’ experience-based beliefs are powerful, it reinforce and strengthen the brand meaning with existing customers, generate positive word-of-mouth, and stimulate new customer trials (Berry, 2000). Nevertheless, other brands’ consumers in the second group, with wider backgrounds in different ages, traits, and occupations, seem seldom to be Toyota fans, and show less interest. But they generally hold comparatively neutral attitudes toward the crisis. Most consumers have acknowledged Toyota’s favorable prior reputation in building quality cars in the industry. Their prior attitudes and expectations toward Toyota would definitely influence their assessment of the crisis.

Perceived Toyota crisis

The evaluation of a crisis situation and its reputational threat to a company is largely a function of stakeholders attributions of crisis responsibility, which implies how much stakeholders believe organizational actions caused the crisis, and whether the crisis was accidental (e.g., technical error) or intentional actions (e.g., human errors) by the organization (Coombs and Holladay, 2002). In North America, the central key to Toyota’s problems lies primarily in what happened before the crisis erupted. With the increased bad news around Toyota being exposed and framed, such as quality complaints, violating industrial regulations, long-delayed and less-than-reassuring response, American people had blamed Toyota with greater attributed responsibility for its errors happening before and during the crisis. Unlike in North America, however, in Sweden there were few reports relating to similar acceleration problems involved in Toyota cars. Perhaps most Swedish Toyota owners are not the high-speed drivers, they may thus get involved in few acceleration-related accidents. Accordingly, in the eyes of Swedish Toyota consumers as well as other brands’ drivers, the Toyota crisis is more like accidental events that are unintentional or uncontrollable by the company (ibid). The both groups of consumers in Sweden similarly attribute relatively lower degree of crisis responsibility to Toyota. As some Swedish consumers stating, “*the problem is not really so big*”, “*it*

can happens in any cars”, “but maybe the news media is more so become reporting problems than reporting good things.” Even more, comment from a car engineer reveals something tricky and uncontrollable that is puzzling most automakers not only Toyota when encountering consumers’ complaints about acceleration problems: *“It is always customer complaining accelerate pedal get to stuck, but they [actually] press the accelerate pedal as the brake pedal,...So it’s hard to handle those issues, and no one trusts the technical specialist from the car manufacturer thing.”*

When a crisis emerges at a familiar brand, consumers’ direct or indirect experiences with the brand will allow them to easily retrieve the pro-attitudinal information, which in turn reduces the influence of the crisis information (Dawar and Lei, 2009). Toyota’s favorable prior reputation has been perceived by consumers through their direct or indirect experiences with Toyota. For Toyota owners, even though they are the affected parties getting involved in the recalls, most of them actually have directly good experiences with the brand before, for example, their cars *“have been running so many kilo meters and just worked perfect, [without] any such serious problems at all.”* So, it generate good faith for Toyota based on the customers’ positive past experiences that allow the customers to focus on positive aspects and ignore the recent negative information created by the crisis (Coombs and Holladay, 2006). Meanwhile, for those Toyota new customers and other brands’ consumers, since they already hold a general favorable view of the brand, they might doubt the negative publicity by assigning the Toyota less responsibility for the crisis (ibid). These positive effects are in line with what Coombs and Holladay (2006) propose, Toyota’s good prior reputation perceived by consumers in these ways acts as Halo effect that has the potential to reduce its attributed crisis responsibility and dismiss the impact of the crisis on the brand.

Perceived Toyota’s handling of the crisis

Crisis responsibility requires the company to effectively deal with the crisis problems with accountability (Coombs, 2007). Due to assigning lower responsibility to Toyota, little attention is paid to Toyota’s crisis handling from some satisfied and loyal customers whose Toyota cars are not involved in the recalls, as well as some of other brands’ consumers who are not concerned about the whole issues. Despite of being *“not sure how exactly Toyota is handling this [problem]”*, these consumers usually assume that Toyota will *“solve this out with professional”*, primarily relying on their prior positive evaluation of this familiar brand, which in turn provide Toyota with a form of insurance against the potentially devastating impact of crisis ((Dawar, and Pillutla, 2000). However, as mentioned before, Toyota was widely blamed for its long-delayed and less-than-reassuring in the first place. This is also realized by the other Swedish vehicle consumers. Being different from those loyal customers, some affected Toyota owners who more care about self-benefits do expect that Toyota could come up with more open and clearer information for psychosocial reassurance, rather than just being told from the dealership that there is no problem with the cars. Some of other brands’ consumers also report the same view, emphasizing that the aggravating crisis is largely caused by Toyota ineffective crisis management at the beginning. These different attitudes about the crisis handling between those satisfied customers and confused consumers imply that consumers differentially weight aspects of the crisis information, such as the dangers of the product and the firm’s responsiveness, depending on their prior expectations and benefit associations (Dawar and Pillutla, 2000; Dawar and Lei, 2009). It is also suggested that, although Swedish consumers are not that much influenced by the recall issues thanks to attributing fewer initial crisis responsibility to

Toyota, effective crisis communication from the company with timely, reliable and open information is critical when customers are facing unexpected problems related to affected products (Coombs, 2007); Toyota is expected to cope with the crisis in a even better way to reassure customers from uncertainty and psychological threat from the crisis.

Perceived post-crisis reputation

On a macro-level, an organization is expected to suffer some loss in reputation capital from a crisis (Coombs and Holladay, 2006). No matter how strong the brand still is, this crisis has more or less caused some threats to Toyota's reputation basically. As some Swedish consumers mention, Toyota has *"lost some credits from safety point of view right now because of the crisis."* The more responsible an organization is held to be for a crisis, the more negative the perceptions and the greater the damage to brand, image and reputation (De Blasio and Veale, 2009). How much the reputational damage has been caused closely determine whether the company can survive/recover or not. The perceptions of Swedish consumers toward the degree of Toyota's reputational damage and its post-crisis reputation, as Coombs (2007) has pointed out, mainly rely on how the consumers perceive the company's prior reputation, attributed crisis responsibility and its handling of the crisis. These influenced aspects have been discussed before. In general, due in large part to Toyota's favorable prior reputation and fewer attributed crisis responsibility, most of Swedish consumers still believe that the crisis doesn't bring much damage to Toyota's reputation, and Toyota will recover and win reputation in the future again; while, Toyota's ineffective handling of the crisis at the beginning also lead to some negative perceptions.

In the Toyota customers group, the confidences in the recovery of Toyota's reputation are even stronger than that of other brands' consumers, because the corporate reputation is rooted in trust and ethically shaped over time, and can be a highly visible signal of an organization's capabilities and reliability providing information about future performance (Dolphin, 2004). Over the years, Toyota's favorable reputation for its quality products and reliable services has been highly appreciated by many Toyota's owners upon their direct satisfied experiences. Negative publicity could not sway their trusts because of their loyalties and strong bonds to the brand. With strong affective emotion connected to the brand, Toyota's customers are hoping that Toyota can pull through this soon and still retains reputation. They are more willing to ignore the recent negative information created by the crisis, and focus on the positive aspects of what they have experienced well with the organization. As quoted from a loyal customer: *"Toyota has given me years of reliable service, and I've always had respect for Toyota. I believe they'll be getting better in the future."* This is again in line with what Coombs and Holladay (2006) argue that the halo effect of a favorable prior reputation has the potential to prevent reputational damage from a crisis. While, to continue retaining customers' trusts, Toyota needs to deal with the problems collectively, *"stay honest and avoid the same mistakes happening again."* In other brands' consumers group, this principle is considered even much critical in evaluating Toyota's post-crisis reputation. As outsiders to view this familiar brand without affective emotion, these consumers tend to hold more neutral opinions. Toyota's lack of perfect crisis management has been perceived as compromising its reputation in somehow. Although they also acknowledge Toyota will recover in the future, the degree of certainty is largely dependent on how effectively Toyota handles the crisis. This implies that Toyota should cope with those issues even better in order to regain its reputation among public.

Consumers' buying intentions

Although the current recalls and safety issues around Toyota might more or less lead to negative effect, there remain satisfied and loyal customers in Sweden, who aren't swayed by those negative news. The primary influence for existing Toyota owners is their direct experiences with Toyota, which serves as motivations for actions. Trusts are developed in relationship (Morgan and Hunt, 1994), where consumers have direct interactions with the company over times. Such experience-based belief is powerful: it has reduced the crisis responsibility assigned to Toyota; diminished the negative impact of the crisis and the risk of reputational decline; and then generated more positive attitude and behavioral consequences for Toyota, e.g., loyal attitude, re-buying intentions, positive word-of-mouth. As some loyal customers maintaining, *"So far it has been good, I want to buy another one."* When customer's expectations are satisfied, they will feel safety, credibility, and security as perceived value in this relationship, which all together increase trust and then enhance customer's loyalty (Ravald and Grönroos, 1996). Besides these loyal customers, Toyota's new customers also report the willingness to buy Toyota cars according to their own interests and needs, regardless of the recall events. Indeed, when they stepping into Toyota dealership store, they are more attracted to the benefit values associated with this familiar brand, which is well-known for economical, fuel efficiency, and quality. Consumers who value these benefits are attracted to the brand and are more likely to purchase it than a brand without the established benefits associations, which in turn dismiss the perceived impact of the crisis issues (Dawar and Lei, 2006).

As for other brands' consumers, since they don't think the Toyota crisis as a big deal, their buying intentions would not be influenced by the recall issues. Instead, what can really influence their buying decisions depend upon many factors as a whole, such as the prices, insurance guarantee, quality, design, brand personality, and so on. What they perceive valuable for cars are various due to their diverse backgrounds and needs. Most of them would more prefer the brands they are using rather than Toyota, no matter the crisis happens or not. This implied that consumers' buying intentions is likely dependent on what benefits are valuable in their minds, because benefit associations with a brand is the central reason for their choice of a specific brand over other in the category (Dawar and Lei, 2009), rather than being simply influenced by a crisis.

To sum up, Swedish vehicle consumers' perceptions toward Toyota crisis are quite mixed, but one common thread is that the Swedish consumers do not perceived that there is a serious impact of the crisis on the brand as what extensively reported in America, the crisis is just accidental events that are unintentional or uncontrollable by Toyota. Since Toyota's favorable prior brand image and reputation have been perceived by both Toyota's customers and other brands' consumers through their direct or indirect experiences with Toyota, these positive prior attitudes toward the brand make them attribute lower crisis responsibility to the company and in turn dismiss the impact of the crisis on the brand. Although some consumers have realized the Toyota's ineffective handling of the crisis would influence its post-crisis reputation, there remain satisfied and loyal Toyota's customers who are not swayed by these negative aspects and often hold strong confidences in the recovery of Toyota's post-crisis reputation, as well as reporting intentions to buy Toyota cars. While other brands' consumers tend to consider many factors as a whole, such as prices, insurance guarantee, quality, etc., rather than being simply influenced by the recall crisis. Although there were something wrong within this on-top car maker, it would not necessarily have significant impact on consumers'

perceptions about the brand as reliability. Swedish consumers are willing to forgive Toyota's flaws as long as Toyota is making remediation to their mistakes. This finding implies that a favorable prior reputation can serve as mediator when company suffering in a crisis. While Toyota should manage the crisis even in a better way in order to retain its good reputation.

CONCLUSION

Since the late 2009, the famous vehicle manufacture Toyota has suffered a severe crisis due to unintended quality problems in its cars. This had triggered Toyota's largest officially recalls of nearly 9 million vehicles all over the world. This crisis has threatened the company's previous reputation of building good quality and reliable cars, as well as damaging its brand image built up over time. The managerial decisions taken by Toyota to deal with the crisis is considered as a key issue to retrieve the former reputation, and to recover the trust and image held by the customers. This study aims to elaborate on the Toyota crisis in order to understand why Toyota faces this crisis and how Toyota deals with the crisis, and investigate Swedish consumers' perceptions of Toyota brand as the outcome of the crisis. The findings indicated that:

- (1) Although there were external powers such as mass media that forced Toyota working even harder on the crisis, it was Toyota itself that asks for most of its own misfortunes when they lost quality focus in the rapid global expansion and failed to effectively respond in time at the beginning of the crisis emerged.
- (2) With the accumulative troubles, Toyota later on has taken active crisis communication strategies to control the tense situation and take their full efforts to rebuild reputation and recover consumer trusts, with an emphasis on customer and quality focuses. However, due to its long-delayed and less-than-reassuring response initially, there has been a sense among publicity that Toyota ignored and denied the problem until it was forced to take action. This even damaged its reputation and made the crisis situation go worse in North America.
- (3) The crisis is affecting Toyota differently in USA and in Sweden. In Swedish vehicle consumers' opinions, the impact of the Toyota crisis in Sweden is not as serious as that in America; the crisis was just accidental events that were unintentional or uncontrollable by Toyota. There remains satisfied and loyal Toyota's customers who are not swayed by the negative publicities and often hold strong confidences in the recovery of Toyota's post-crisis reputation. Most of Swedish consumers are willing to forgive Toyota's flaws as long as Toyota is making remediation to its mistakes. This finding implies that a favorable prior reputation can serve as mediator when a company suffering in a crisis.

IMPLICATIONS

The Toyota crisis study raises some practical implications for the crisis management in auto motor and other industries.

Quality is always the most important thing. Toyota case has shown that failure to focus on quality would result serious consequence in economical losses and reputational risks. Even the top brands with good corporate reputations, missing in quality focus would definitely get heavy strikes, and have

to potential to bankrupt if reputation is badly damaged. Good quality is the basic for building good reputation. So, companies should always put quality in the first place and never lose attention to it.

A favorable prior reputation can offset some negative impacts of crises. Consumers would view the impact of a crisis based on their perception toward its prior reputation. They might be willing to forgive the defect of the affected company if the company holds a favorable prior reputation and is taking trustful measure to deal with the problems. However, over time if the same problems repeat again, the mass media will closely keeping their eyes on the issue and remind audience what had happened before. At this circumstance, the company will run out of customers' trusts and never win them back again.

Be prepared before crises. Though crises are often coming unexpectedly and can't be easily predicted, most crises are cultivated under ineffective management in organizations, which are usually not easily recognized by management teams in advance. The Toyota crisis is the case – being less prepared and loss the initiative to control the crisis at the first place. In order to effectively manage crises, it is important for a global company to prepare for overseeing an event across national borders. It will help companies effectively assess the crisis situation and take appropriate response strategies from the initial time. Meanwhile, Consumers are concerned about instant, reliable and sincere information when they are facing unexpected problems related to affected products. Therefore, it is important for company to effectively communicate with consumers and build good relationship with them, especially when unexpected threats are striking in the business. This will help to retain customer and cultivate customer loyalty, and in turn dismiss the impact of a crisis.

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APPENDIX

Appendix I: Interview guide for Toyota dealer in Halmstad

1. Under the crisis circumstance, what is the situation of Toyota in Swedish market?
2. As Toyota's dealer, have you ever received any complaint about intended accelerate problems?
If yes, when? (before or during the recalls announcement?)
3. What measures have you taken since Toyota announced the recalls of vehicles that are involved in Swedish market?
4. What are the reflections of your customers to the recall announcements?
5. How can the owners know that their Toyota cars are involved in the recalls?
6. When and where can the owners get their recalled cars fixed?
7. How long will it take of you to repair or fix a recalled vehicle? Is the repair covered by warranty and free to the customers?
8. How many Toyota vehicles are involved in the recalls in Sweden?
9. As Toyota's dealer, what do you think about the massive recalls recently released by Toyota Motor? (Why does Toyota have to recall almost 9 million vehicles around the world? What are the real problems that caused Toyota suffering in such crisis?)
10. Has Toyota Motor lost its way with respect to building quality cars?
11. As a dealer, what do you think of Toyota's handling of its problem during and after the crisis?
12. How does Toyota manage reputation where there has been such a bit hit to its very core of the company's value proposition – design and quality?
13. What measure else have been taken/or will be taken to recover trust?
14. What about your sales volume during and after the period of recalls?

Appendix II: Interview guide for Toyota customers

1. Do you own a Toyota cars?
If yes:
 - 1) Is your Toyota cars recalled to be fixed?
 - 2) how did you know the recall notification?
 - 3) what's the informed problem of your car involved in the recall?
 - 4) what did you feel when you received the recall notification?
 - 5) How can you get your car fixed? (when? Where?)
 - 6) what do you think about the repair solution? (Satisfied? Reassuring?)
 - 7) how long did you own your Toyota car?
2. Why did/do you choose Toyota car?
3. What do you perceive the brand of Toyota?
4. What do you perceive about the recall news?

5. What do think of Toyota's handling of its problem with massive recalls globally?
6. What do you perceive about Toyota's reputation when such recalling issues are hitting to its quality?
7. Will you still trust in Toyota's brand?
8. Will you still have intention to buy a Toyota cars which are ever involved in the recall issues? Why?

Appendix III: Interview guild for other brands' consumers

1. Have you ever heard any news about Toyota's recent recalls of almost 9 million cars all around the world?
2. How (and how much) did you know about the Toyota recall issues?
3. What do you think about the Toyota's recalling issues?
4. What do you perceive Toyota as a brand before and after the crisis happened?
5. Do you think Toyota should take the full responsibility for the crisis? Why?
6. What do you think of the measures that Toyota is taking to solve out its problems?
7. What do you perceive about Toyota's reputation when such recalling issues are hitting to its quality?
8. Will you still trust in Toyota' brand?
9. If you need to buy a new car in the future, will have the intention to take Toyota into consideration for buying?