

Companies must invest to avoid a supply chain scandal or pay the price in lost consumers

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If a supply chain scandal does hit, customers want companies they buy from to act—and a combination of actions, not limited to firing their supplier—is the best way to minimize lost consumers. Apologies are not

enough.

Professor Sabine Benoit from Surrey Business School said:

"Our research shows that companies need to do something—and that could include parting ways with a [supplier](#) if there's a [scandal](#)."

"Customers will blame major firms for supply chain scandals—and this inherited blame will affect whether they buy from the firm in the future."

Traditionally, supply chain managers have been encouraged to support their suppliers when wrongdoing is discovered in their supply chains. However, for many firms, this is not always a realistic option because it can be time-consuming and expensive.

This research has found that firms also have the option to sack or monitor their suppliers—and this has the same effect on customers' buying intentions.

Professor Benoit added that their "research has found that taking one action—either monitoring and supporting suppliers to do better or moving on from them—will help to build trust and confidence in the major firm but purchasing intention only returns to 75% of what it was before the scandal hit."

"The best option if a scandal does hit is for companies to double-down on their response by sacking the supplier who caused the scandal and work to support their remaining suppliers, then consumers' trust will start to rebuild, resulting in the best outcome possible—with purchasing intention rising to 85% of what it was before the scandal hit. "

"What this means for major companies is that consumers expect their

brands to be doing good in the world—and there's a right way and a wrong way to handle supply chain scandal with a direct impact on the company's bottom line."

The research, published by the *Journal of Supply Chain Management*, was carried out over a period of five years by authors in the United Kingdom, Germany and the United States.

More information: Julia Hartmann et al, A consumer perspective on managing the consequences of chain liability, *Journal of Supply Chain Management* (2021). [DOI: 10.1111/jscm.12279](https://doi.org/10.1111/jscm.12279)

Provided by University of Surrey

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