How has the recent accident at Alton Towers affected their brand reputation and organisational performance?

Background

A 2015 accident at Alton Towers left five passengers with life-changing injuries when a full-carriage collided with a stationary empty test-carriage on the £16million Smiler ride (The Telegraph, 2017). The well-publicised collision resulted in a 4-hour rescue ordeal whereby several passengers were left with horrendous psychological and physical injuries (The Guardian, 2016a). Sixteen people in total were injured, including two passengers who needed leg amputations following a catalogue of errors (BBC, 2016a). An investigation by the Health and Safety Executive (HSE) found the accident was largely attributable to human error, criticising senior management for inadequate internal governance (The Guardian, 2016a). Operator Merlin Entertainments admitted to breaching the Health and Safety Act, and have since taken organisational steps to improving park safety (The Guardian, 2016a; The Telegraph, 2017). This essay will thus analyse the impact of the recent accident at Alton Towers on brand reputation and organisational performance, evaluating the effects of the incident on Alton Towers' pursuit of a competitive advantage.

PR Scandal

Corporate visibility has become increasingly prominent, as a result of the power of social media tools; which have generated widespread consumer interest in topical news (Brammer & Pavelin, 2006). Subsequently, owing to the progressive e-media boom, news is frequently reported and disseminated instantly; generating significant attention (Lee & Ma, 2012). Particularly in the case of online PR, negative consumer sentiment can be directly correlated with diminished customer perception and consequent negative brand reputation (Harris & De

Chernatony, 2001). The growing phenomenon of sentiment analysis further indicates that consumers have a stronger propensity to ingest negative brand messages as opposed to positive corporate messages, particularly in cases of PR crises (Pang & Lee, 2008). Furthermore, research proposes the penalties of reputation reside in the behaviour that consumers demonstrate towards firms whereby advocacy, commitment and cooperation are critical outcomes of a positive reputation, benefitting brand equity goals (Eberl & Schwaiger, 2005). Consequently, as organisations are exposed to corporate visibility, it is paramount to transparently maintain brand strategy objectives i.e. 'creating a high-growth, high-return, family entertainment company, based on strong brands… naturally balanced against the impact of external factors' (Merlin Entertainments, 2018, n.p.).

For Alton Towers, the Smiler incident has tangibly cultivated widespread negative fallout within press, leading to consistently declining visitor numbers to the theme park; impacting organisational performance (The Guardian, 2016b). Battersby (2016, p.207) also indicated that despite apparent financial loss which was estimated at £47million in 2016, subsequent reputational loss following the Alton Towers scandal is more problematic, demonstrated by forecasted profit losses over the next few years. In practice, Alton Towers' reputational issues are partly attributable to the organisation's response to the incident, whereby the HSE found the operator had at least four opportunities to prevent the accident beforehand (The Guardian, 2016a). Furthermore, research indicated that Alton Towers further recorded thirty accidents over a three-year period by 2015, indicating consistently poor-organisational practices which are likely to progressively deteriorate perceived brand equity via disregarding customer safety (Birmingham Mail, 2015). Alton Towers' consequent PR approach has since executed corporate transparency to attempt to repair trust by admitting liability and enhancing internal-safety measures (The Times, 2016). However, given that the scandal was highly-publicised, perceived corporate reputation and brand equity is likely to be negative for many consumers, following press releases which unearthed Merlin directors collected £3.4m in dividends before a crown court sentencing; whilst chief executives declined to attend court proceedings and face victims (The Times, 2016; Lai et al. 2010).

Competitive Advantage

Porter (1980) outlines a competitive advantage as a condition by which organisations obtain improved sales, market share and profitability whilst outperforming competitors. Subsequently, as a measure of organisational performance, a competitive advantage can be utilised to highlight a company's competitive positioning, with emphasis to how the organisation is perceived by stakeholders including consumers (Porter, 1980). In the case of corporate crises, research indicates that negative publicity can threaten the image of an organisation relative to social responsibility across three-stages: including *prior* to a crisis event, in *response* to a crisis event and across *responsibility* for the event on overall consumer regard for the organisation (Dean, 2004).

Previously, Alton Towers can be observed as having a generally favourable perception in consumer practice (Mintel, 2014), further emphasised by a reported sales revenue of £331million in 2014; suggesting that prior to the Smiler incident, the organisation was trusted and thus performed well (FT, 2015). Notably, in 2014, 88% of adults who visited a theme park were returning visitors, highlighting the critical importance of theme park operators to maintain a strong and valuable relationship with its customers (Mintel, 2014). It can be argued that Alton Towers' immediate response to the event served as an essential move strategically, relative to crisis management and diminishing organisational performance harm (Klein & Dawar, 2004). In example, a PR Week (2015) focus piece, praised the sensitive approach undertaken whereby CEO Nick Varney quickly issued a heartfelt statement, apologised and immediately closed the park down for investigation. Crisis management theories further emphasise the favourability of a valuable pre-crisis reputation, suggesting that prior reputations can create a halo effect which serve as a protective layer for reputational damage and organisational performance in event of crises (Coombs & Holladay, 2006).

As such, it can be reasonably determined that Merlin Entertainments took the appropriate steps to mitigate brand harm and organisational performance damage; measurable by brand equity (Porter, 1980; Dawar & Pillutla, 2000). However, within practice, Alton Towers' performance and brand reputation is tangibly impacted, relative to consistent sales decline and a 25% drop in visitors in 2016 (The Guardian, 2016b; BBC, 2016b). Furthermore, existing brand attitudes to the theme park continually deteriorate, with a YouGov (2018) study demonstrating brand positivity has continued to decline at a rate of 27% in 2018, three-years after the Smiler accident. Of those who were positive about the Alton Towers brand, YouGov (2018) identified a statistical correlation between the theme park and high-octane adrenaline events such as sky diving, hot-air ballooning and ice climbing. Subsequently, it can be perceived that the halo effect crises management approach taken by Alton Towers has clearly been unsuccessful in parts, with the brand increasingly analogous with less-safe high-octane events (Coombs & Holladay, 2006). Furthermore, organisational performance has additionally clearly been negatively impacted whereby in 2016, Merlin Entertainments reported its group profits were half the previous year's takings, with visitor numbers and revenues at its other theme parks also affected (FT, 2016). It is further highly probable that alienation following the Smiler event is likely to continually impact organisational performance within core-target groups such as families with young children who are likely to have previous perceptions of the company being a safe and responsible organisation impacted (Mintel, 2014). In support, reputation transfer is proposed as a profitable extension strategy for organisational performance where organisations can leverage existing brand equity across new ventures (Muzellec & Lambkin, 2006). However, a clear disadvantage relates to holistic group performance decline via shares, sales and profits when one element of the business is affected (FT, 2016; Battersby, 2016).

Brand Equity

Debatably, the Smiler incident has played into an existing and progressive dialogue that rollercoasters are unsafe which in turn has impacted on sales, market share and subsequent profitability (The Telegraph, 2017). Reputation theory proposes that customer-based corporate reputation (CBR) stems from two constructs of being cognitive-based (knowledge impacts perception) and being affective-based (emotions impact on attitude) (Johnson & Grayson, 2005; Eberl & Schwaiger, 2005; Selnes, 1993). Subsequently, as reputation theory proposes that CBR is therefore evaluative, the Smiler incident has therefore debatably played into an existing stereotype that rollercoasters are unsafe, despite the organisation's efforts to insist it does take safety seriously (PR Week, 2015; The Times, 2016). This is further evidenced by continual press releases which demonstrate a progressive number of rollercoaster incidents involving Alton Towers, as well as news which suggested the Smiler ride itself was twice closed prior to the incident due to safety concerns (Birmingham Mail, 2015; The Telegraph, 2015). Furthermore, specifically in the case of core-user groups such as families, teens and elderly visitors (Mintel, 2016), perceived brand equity has tangibly diminished; emphasised via declining organisational performances relative to visitor numbers and forecasted ongoing profit losses (BBC, 2016b; Battersby, 2016). As such, it is arguable that continual reputational issues are likely to impact ongoing organisational performances and Alton Towers' subsequent competitive advantage goals (Porter, 1980).

Conclusion

Conclusively, it is tangible that the recent accident at Alton Towers has negatively impacted on the organisation's brand reputation and subsequent performance relative to a competitive advantage. In line with strategic goals, it is critical for theme park organisations to prioritise safety goals which are correlative with increased sales, market share and profitability by means of repeated and loyal customers. Subsequently, as Alton Towers endangered its customers, traditional crisis management strategies were inadequate in influencing perceived brand equity and subsequent trust in the organisations. In consequence, it can be argued that the recent Smiler accident has impacted Alton Towers' brand reputation and organisational performance irreparably, damaging feasibility of a sustainable competitive advantage.

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