The Effect of Systems of Thought on Brand Scandal Spillover: Holistic Versus Analytic Cognition Moderating Scandal Spillover and Denial Effects

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We propose that different systems of thought influence the likelihood of brand scandal spillover, depending on the degree to which the contents of brand scandals are processed as context-based or focal object-based information. We demonstrate that holistic thinkers are more susceptible to brand scandal spillover than analytic thinkers are when a brand scandal is not directly associated with the product itself. Therefore, scandal spillover correction occurs to holistic thinkers when brand scandal denials are issued, but the denials boomerang to analytic thinkers. In contrast, analytic thinkers make more biased judgments than holistic thinkers do when a brand scandal is directly associated with the product itself. Analytic thinkers correct for scandal spillover when brand scandal denials are presented, but denials or no denials are equally effective to holistic thinkers in this case.

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The results from study 2 are significant, but in the opposite direction than predicted. Participants who received the CSIR information before they tasted the chocolate rated the taste significantly higher than those who received it after (M_{BEFORE}=7.04, M_{AFTER}=6.26, F_{(1,82)}=4.288, p=.042).

Study 2 suggests that when consumers learn about CSIR from a brand they currently consume it is more damaging than if they are not current consumers, and provides fruitful direction for future studies. One possible explanation is that the relatively pleasant taste of chocolate did not conform to the negative expectations intened by the CSIR information. On the other hand, the presentation of CSIR information after the taste has the effect of “tainting” the memory of the taste. Future studies will further examine the role of guilt as well as memory and recency.

References

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Extended Abstract
Recent high-profile product recalls (Tang 2008) and more stringent product-safety legislation (Birch 1994; Patterson 1993) have led to increased consumers’ exposure to negative brand publicity. Product-harm crises or brand scandals lead to significantly decreased preferences and purchases for the scandalized brands and their family (Sullivan 1990) as well as their competing brands (Roehm and Tybout 2006). Recent research has demonstrated that consumers engaged in different systems of thought are more or less susceptible to negative brand publicity (Monga and John 2008).

Extending prior work, our research examines how different contents of negative publicity and systems of thought jointly affect consumer reactions to brand scandals and the spillover correction effects of denials. We argue that whether the contents of negative brand publicity are intrinsic or extrinsic to the product itself determines the degree to which individuals process the negative information as a focal point versus a context and that this relative difference subsequently affects the type of judgment bias they make. Holistic thinkers tend to focus more on relationships among objects and events and analytic thinkers tend to focus more on a discrete focal point from its context (Nisbett et al. 2001).
These distinct differences between holistic versus analytic cognitive styles lead us to predict that when negative publicity is directly associated with issues intrinsic to the product itself, for example, poor product quality or risks of injury threatening consumer safety, the focal components of negative publicity become more salient, and thus analytic thinkers might make more biased judgments for the scandalized brand than holistic thinkers might. Monga and John (2008) depicted this case and showed that when participants were presented with negative publicity about a new car with manufacturing problems, analytic thinkers were prone to more biases than holistic thinkers. We argue that the converse should show the opposite results. When negative publicity is not directly associated with the product itself, but related with issues extrinsic to the product, for example, manufacturing process causing a water pollution or recent Tiger Woods’ multiple mistress scandal linked with brands using him in their ads (e.g., Nike or Gatorade), consumers would attend more to the contexts of the brand scandals than the focal points of the scandalized brand itself, thus it leads to more biased judgments of holistic thinkers.

Furthermore, we argue that the effects of brand scandal denials will also depend on which cognitive thinking mode is active. Since scandal denials are perceived to be informative, when consumers consider the brand scandal as diagnostic, but to be redundant when they do not we argue that when the contents of the negative brand publicity are intrinsic to the product itself (Roehm and Tybout 2006), denials will attenuate the harmful effects of the brand scandal for analytic thinkers, but not for holistic thinkers. In contrast, when negative brand publicity information is extrinsic to the product itself, scandal denials will be more effective for holistic thinkers than for analytic thinkers.

We begin our hypothesis testing by demonstrating the effects of holistic versus analytic cognitive styles on brand scandal spillover in a fictitious situation where a brand scandal is extrinsic to the brand itself (Experiment 1). Next, we investigate the moderating role of thinking modes on the effects of scandal denials involved with the negative publicity extrinsic (Experiment 2), and intrinsic (Experiment 3) to the brand.

In Experiment 1, participants were asked to read a fictitiously created water pollution scandal regarding Nike athletic shoe factories and then indicate brand attitudes for Nike in general and the likelihood of its competing brand, Reebok, polluting nearby waters. Then they responded to ten items on a holistic scale (Choi et al. 2003). Regressing thinking styles (holistic versus analytic) on brand scandal spillover supported our prediction. In the context of negative publicity involved in the issues extrinsic to the product itself, holistic thinkers evaluated its parent brand more negatively and indicated the higher likelihood of Reebok’s water pollution than analytic thinkers did ($\beta_{\text{Nike}} = -.490, t = -2.694, p = .013$; $\beta_{\text{Reebok}} = .51, t = 2.65, p = .015$).

To investigate the role of cognitive modes moderating the effects of brand scandal denials, in Experiment 2, participants were primed with holistic versus analytic thinking styles by completing sentences in a short story about a trip to a city by filling in proper pronouns (i.e., I, my, me, mine versus we, our, us, ours; Kühen et al. 2001). Then they were presented with a brand scandal about Nike’s water pollution and then an article introducing its competing brands, Adidas or Converse’s launching new athletic shoes with or without the denial of water pollution. Participants indicated the likelihood of Adidas or Converse’s polluting nearby waters. A 2(thinking styles: holistic versus analytic) × 2 (brand similarity: high, Adidas versus low, Converse) × 2(denial: yes versus no) between-subjects ANOVA revealed a significant three-way interaction ($F(1,103) = 9.277, p = .003$). Subsequent analyses showed that there was a two-way significant interaction between thinking styles and denial in the high brand similarity condition ($F_{\text{Adidas}}(1,53) = 9.245, p = .004$). We also found a marginally significant main effect for thinking style, indicating that holistic thinkers are more susceptible to the brand scandal spillover ($F(1,53) = 3.258, p = .077$) than analytic thinkers are. Contrasts revealed a marginally significant brand scandal spillover correction effect of a denial for holistic thinkers, but its boomerang effects for analytic thinkers. When denial was provided in the article, holistic thinkers indicated decreased likelihood of Adidas’ water pollution compared to when denial was not included in the article ($M_{\text{no}} = 4.69, M_{\text{yes}} = 4.408; F(1,25) = 3.021, p = .09$). In contrast, analytic thinkers indicated significantly increased likelihood of Adidas’ water pollution when denial was included in the article ($M_{\text{no}} = 3.292, M_{\text{yes}} = 4.405; F(1,28) = 6.547, p = .016$).

In Experiment 3, we tested our prediction in the context of negative publicity intrinsic to the product itself. Thinking style manipulation was the same as used in Experiment 2. Participants were presented with a fictitiously created McDonald’s food hygiene law violation scandal about using expired hamburger meat and breads. After reading the scandal story, they indicated the likelihood of Burger King and Outback’s food hygiene law violations and also of other filler brands. Then they read an article introducing KFC or Outback’s new programs employing organic produce from environmentally friendly farming methods. The new program article was also varied with or without denial of food hygiene law violation. Participants then indicated the likelihood of KFC or Outback’s food hygiene law violation. A 2(thinking styles: holistic versus analytic) × 2 (brand similarity: high, Burger King versus low, Outback) × 2(denial: yes versus no) between-subjects ANOVA with thinking styles as a between-subjects factor and brand similarity as a within-subjects factor revealed a marginally significant main effect for thinking styles ($F(1,220) = 3.048, p = .08$) and a significant main effect for brand similarity ($F(1,220) = 73.33, p < .001$).

Replicating the results of Monga and John (2008), the data showed that holistic thinkers were less susceptible to the negative brand publicity than analytic thinkers were ($M_{\text{holistic}} = 5.095, M_{\text{analytic}} = 5.603$). This effect was greater for the participants in the conditions of Burger King than Outback ($M_{\text{Burger King}} = 5.919, M_{\text{Outback}} = 4.779$). As expected, a 2(thinking styles: holistic versus analytic) × 2 (brand similarity: high, KFC versus low, Outback) × 2(denial: yes versus no) between-subjects ANOVA revealed a significant three-way interaction ($F(1,211) = 8.207, p = .005$). This interaction effect qualified the main effects for thinking styles ($F(1,220) = 4.459, p = .036$), indicating that the brand scandal spillover effects occurred to analytic thinkers than holistic thinkers ($M_{\text{holistic}} = 5.104, M_{\text{analytic}} = 5.760$). We found a marginally significant main effect for thinking style, indicating that holistic thinkers are more susceptible to the brand scandal spillover ($F(1,220) = 3.048, p = .08$) and a significant main effect for brand similarity ($F(1,220) = 73.33, p < .001$).

As expected, contrasts indicated that the brand scandal spillover correction effects occurred to analytic thinkers, when the article was with the brand scandal denial compared to when it was not ($M_{\text{no}} = 4.69, M_{\text{yes}} = 4.408; F(1,69) = 6.752, p = .013$), whereas denial or no denial was equally effective to holistic thinkers.

By employing a 2(thinking styles: holistic versus analytic) × 2 (brand similarity: high versus low) × 2(denial: yes versus no) × 2(scandal content: intrinsic versus extrinsic) between-subjects design in Experiment 4, we intend to increase the robustness of previous results and directly test the effect of the scandal content. The results of Experiment 4 will be presented at ACR 2010 with a complete working paper.
Is Negative Brand Publicity Always Damaging? The Moderating Role of Power

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As consumers have increasing access to multiple sources for product information (e.g., blogs, television, news outlets, etc.), the ability to manage negative publicity becomes increasingly difficult. Prior research has demonstrated that consumers place more weight on negative than positive information in forming judgments (Eagly and Chaiken, 1993) showing that negative publicity can cause substantial harm. For example, the recent events surrounding Toyota’s faulty accelerator and brake pedals have led to detrimental effects on the brand.

Surprisingly, little research has focused on characteristics of the message recipients and how they might influence responses to negative publicity. In this vein, we examine the effect of consumers’ power on responses to negative publicity. Power is an important characteristic to study, as it is ubiquitous and highly malleable. In many instances throughout our daily life, we may be shifting between a powerful (e.g., meeting with a subordinate) and a powerless (e.g., meeting with a boss) mindset. Further, ambient marketing activity (e.g., advertising, point-of-sale displays, etc.) can influence a consumer’s sense of power. Aside from these situational variations, power may also be conceptualized as an individual difference variable which varies across consumers (Anderson et al. 2005).

We know that negative publicity can be damaging for brands (Ahluwalia, Unnava and Burnkrant 2000; Monga and John 2008). In this research, we suggest that powerful individuals are less likely to be affected by negative publicity than powerless individuals. Galinsky et al. (2008) find that powerful people possess more freedom from influence of external forces compared to powerless people. Powerful people are less influenced and constrained by salient information in the environment, because power increases sensitivity to internal states and increases confidence in one’s own thoughts (Brinol et al. 2007). This sensitivity to internal states suggests that powerful individuals may rely more on their own thoughts about the brand and are less likely to be influenced by negative publicity information, compared to powerless individuals. Thus, upon exposure to negative publicity, brand evaluations of powerful individuals would be more favorable than those of powerless individuals.

In study 1, we test our hypothesis using a power manipulation (Galinsky et al. 2008). In the powerful condition, participants wrote about a situation in which he/she controlled the ability of another person or persons to get something they wanted. In the powerless condition, participants wrote about a situation in which another person controlled the ability of the participant to get something he/she wanted. Next, participants were exposed to a press release stating that Mercedes Benz was experiencing manufacturing problems on their new line of cars. Subsequently, participants rated the new line of cars and the Mercedes Benz brand. As expected, participants in the powerful condition rated the brand more favorably than participants in the powerless condition.

In study 2, we examine the role of source credibility (Brinol et al. 2004). We anticipate that for a less credible source, we would expect that powerful individuals would be less susceptible to the negative publicity than powerless individuals (as in our prior study). However, for a more credible source, we expect that powerful individuals would be more likely to attend to the negative publicity and their brand evaluations would decrease. As a result, differences in brand evaluations between powerful and powerless individuals would dissipate.

In study 2, participants were exposed to the same power manipulation as in study 1. The source of the press release was indicated as either a highly credible source (The Wall Street Journal) or a significantly less credible source (The National Enquirer). We also included a control condition to assess baseline evaluations for the brand. Participants in this condition were not exposed to the negative publicity. Thus, we used a 2 (Power: High, Low) x 3 (Source Credibility: High, Low, Control) between subjects design. Our results show a significant interaction between power and credibility on brand evaluations, such that in the low credibility condition powerful individuals evaluate the brand higher than powerless individuals. However, this difference is not significant in the high credibility condition or in the control condition.