Uh-Oh, This Might Hurt Our Bottom Line: Consumer and Company Reactions to Product Harm Crises

R. Justin Goss, University of Texas at San Antonio, USA
David H. Silvera, University of Texas at San Antonio, USA
Daniel Laufer, Yeshiva University, USA
Kate Gillespie, University of Texas at Austin, USA
AshleyArsena, University of Texas at San Antonio, USA

We investigated the effects of product harm crisis severity, perceived vulnerability, brand familiarity, and company response on blame. Across three experiments, higher perceived severity was associated with greater personal vulnerability, increased blame to the company, negative brand attitudes, decreased purchase intentions, and negative product recommendations. Further, increased crisis severity negatively impacted an unfamiliar brand but not a familiar brand. Finally, participants attributed more blame to companies that issued apologies, took responsibility, or did nothing, than to companies that blamed the victim.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/1009957/volumes/v39/NA-39

[copyright notice]:
This work is copyrighted by The Association for Consumer Research. For permission to copy or use this work in whole or in part, please contact the Copyright Clearance Center at http://www.copyright.com/.
Uh-Oh, This Might Hurt Our Bottom Line: Consumer and Company Reactions to Product Harm Crises

R. Justin Goss, University of Texas at San Antonio, USA
David H. Silvera, University of Texas at San Antonio, USA
Daniel Laufer, Yeshiva University, USA
Kate Gillespie, University of Texas at Austin, USA
Ashley Arsesa, University of Texas at San Antonio, USA

Product harm crises, “discrete, well publicized occurrences wherein products are found to be defective or dangerous” (Siomkos and Kurzbard 1994), can cause damage to both the financials and reputation of a company. Research suggests that an important determinant of the amount of damage the company incurs is the degree to which consumers blame the company for the crisis. Blame attributions for product-harm crises can have a variety of negative consequences for the company, including reduced consumer satisfaction with the product, increased consumer complaints, and desire for refunds. These findings suggest that blame attributed to a company in association with a product-harm crisis will negatively affect attitudes toward the brand, purchase intentions, and recommendations relative to the company’s products. The current research attempts to identify factors that can potentially influence blame attributions by observers of a product-harm crisis. Specifically, we investigated the roles severity of the crisis, familiarity of the involved brand, post-crisis company reactions, and personal vulnerability of observers of the product-harm crisis in determining blame attributions.

Much of our understanding of the mechanisms underlying blame attributions comes from social psychology; in particular, social psychology research related to the defensive attribution hypothesis offers some potential insights into these mechanisms. The defensive attribution hypothesis posits that when an incident results in a more severe outcome and/or observers feel more personal vulnerability in relation to that incident, more blame will be attributed to a potentially responsible party (Shaver 1970). Further, outcome severity is an important feature of product failures and product-harm crises in marketing contexts. For example, minor product defects have a small effect on consumers, whereas major defects (e.g., contaminated drinks or cars that tend to roll over on turns) can lead to catastrophe. The present research examines the applicability of the defensive attribution framework to product harm crises, and also adds several variables that the marketing literature suggests might moderate blame to the company, most notably familiarity of the brand involved in the crisis and the content of the company’s public response to the crisis. In three studies, participants read a product harm scenario in which the severity of the product harm crisis was manipulated, after which participants were asked to make a series of judgments in relation to the product harm crisis including the amount of blame attributed to the company, personal vulnerability, severity of the crisis, future purchase intentions, and attitudes toward the company involved.

The three experiments used similar methods. Participants were asked to read a fictitious newspaper article about a product harm crisis. Severity of the crisis (Experiments 1-3) and familiarity of the involved brand (Experiment 2) were manipulated using different versions of the article. In Experiment 3, participants were also presented with a press release that manipulated the company’s reaction to the crisis. Subsequent to the manipulations, participants were asked to respond to measures assessing blame, feelings of vulnerability, and perceived severity.

Experiment 1 developed a preliminary model testing the impact of severity and other relevant variables on blame attributions in a product-harm crisis about tires. Results showed that blame to the company is positively related to both severity of the product harm crisis and participants’ feelings of personal vulnerability in relation to the product-harm crisis. Further, instead of personal vulnerability predicting blame to the company directly, personal vulnerability only influenced blame indirectly through its relation with perceived severity. Blame to the company was also negatively related to attitudes toward the brand, which were in turn related to purchase and recommendation intentions.

Experiment 2 tested the interaction between brand familiarity and severity. For the low severity crisis, brand familiarity had no impact on blame to the company; for the high severity crisis, participants ascribed significantly more blame to the company when the brand was unfamiliar than when the brand was familiar. These results indicate that familiar brands are more resistant to the negative effects of a product harm crisis than unfamiliar brands.

Experiment 3 investigated how an unfamiliar brand can similarly protect itself against negative effects of product harm crises based on the company’s media response to the crisis. Analyses revealed a significant 2 (severity: low vs. high) x 4 (press release: no press release vs. apology vs. accepting responsibility vs. blaming the victim) ANOVA interaction predicting blame to the company involved in the product harm crisis. Specifically, compared to the no press release control condition, (a) a company apology resulted in increased blame to the company regardless of the severity of the crisis, (b) the company taking responsibility for the crisis and promising to fix the problem resulted in less blame for a low severity crisis but more blame for a high severity crisis, and (c) blaming the victims in the crisis resulted in decreased blame to the company regardless of the severity of the crisis. The reduction in blame to the company, when the company blamed victims, was larger for a low severity than for a high severity crisis. These results suggest that the best way for an unknown company to avoid blame is to use media communications to try to deflect blame to victims of the product-harm crisis. This might be something of a catch-22 situation, however, as it seems unlikely that consumers who were harmed in the crisis will respond favorably to such a media policy.

Across three experiments, results indicated that blame to the company was positively related to feelings of personal vulnerability and the severity of the crisis. Familiar brands are more resistant to the negative effects of a product harm crisis, and companies that respond by shifting the blame to the victim of a product harm crisis are more able to keep their reputations intact. Future studies aim to investigate potential moderators and outcomes of the victim-blaming strategy and the impact public interest groups and legislative changes have on blame attributions after a product harm crisis.
REFERENCES


Effects of Green Products on Price Perceptions

R. Justin Goss, University of Texas at San Antonio, USA
David H. Silvera, University of Texas at San Antonio, USA
Daniel Lauffer, Yeshiva University, USA
Kate Gillespie, University of Texas at Austin, USA
Ashley Arsa, University of Texas at San Antonio, USA

 Desire to buy green products, although far from being a fad, has not always resulted in product purchase. For instance, sale of hybrid cars, long considered as fuel efficient and green, only accounted for 3.5 percent of the cars sold in the US market in 2010 (www.hybridcars.com). Similarly, in the American cleaning products segment, though companies such as Seventh Generation and San Francisco’s Method Products have been making natural cleaning products for years, their combined sales amount to only 1% (Information Resources Inc.). Highlighting this as a worldwide trend, McKinsey and Company’s global poll reported that only 33% of those surveyed had bought a green product during the previous year even though 87% expressed strong interest in purchasing green products (Bonnini and Oppenheim 2008). A goal of this research is to explore this lack of ‘interest-to-sales’ conversion in green products.

Price is often cited as one of the inhibitors of green product purchase (Ewing 2009) although some consumer surveys point to consumer willingness to pay a premium for the same (Environmental Leader 2007). This raises an interesting question pertaining to how consumers may trade-off green aspects of a product when assessing its price (Bonnini and Oppenheim 2008). Specifically, we begin by asking if consumers expect to pay relatively higher price for green products.

Furthermore, companies often try to get around the cost of developing completely green products by joining the green bandwagon by promoting traditional offerings in their lineup as somewhat or partially green alternatives (e.g., Toshiba’s A600 laptops running on low voltage; HP desktop PCs featuring AMD’s ‘Cool ’n’ Quiet’ processors). In the recent past only few companies worked on plans to increase their offerings of completely green products (e.g. Toyota Prius). A second issue, then, is to understand if consumers process price information differently for complete and partially green products. Finally, given the gap between interest and actual purchase, will consumers’ motivation to purchase a product differentially influence the way they process such higher prices when products under consideration area) completely green products and b) with few green attributes (i.e. partially green)?

Though past research on information processing proposes that consumers are cognitive misers (Shagam 1980), the idea also embodies that efficient information processors must strike a balance between minimizing their processing efforts and maximizing their judgmental confidence. Maheswaran and Chaiken (1991) proposed the *sufficiency principle* which suggests that consumers cannot be completely confident that their judgments are correct and can only hope to achieve some level of confidence (sufficiency threshold), which is benchmarked against their desired level of confidence. Based on this principle consumers would step up their efforts to systematically process information when less effortful heuristic mode confers insufficient judgment confidence; a discrepancy in product attribute information would encourage consumers to scrutinize the given information. Integrating these conclusions with research on consumers’ use of price as a dual cue to infer quality (Miyazaki, Grewal and Goodstein 2005) and assess monetary sacrifice (Monroe 2003), we predict that participants who are motivated to process information will use a relatively high price of a green product, irrespective of whether it is completely or partially green to conclude that it requires a high monetary sacrifice. In low motivation conditions, a completely green product would be processed heuristically and its price would lead to perceptions of a high monetary sacrifice. It requires a high monetary sacrifice. In low motivation conditions, a completely green product would be processed heuristically and its price would lead to perceptions of a high monetary sacrifice.

A series of three studies examined this issue. In Study 1, using semantic association task and implicit association test (Greenwald, Nosek and Banaji 2003), we confirmed differences in associations between products described as completely and partially green. In study 2, participants were first provided with a description of a green product and an average price (P) for a similar conventional product. Participants then indicated their willingness to pay (WTP) for the green product. Three products, tote bag, metallic water bottle and jump drive, were randomly presented to the participants. The results revealed a significant price appreciation [(WTP- P) / P, 28% - 177%] for the green products over their conventional counterparts affirming the perceived expensiveness of such products.

Study 3 tested our predictions by examining how a relatively expensive ($399.99) environmentally friendly printer described as either completely green (all green attributes) or partially green (one green attribute) will be perceived by participants with different processing goals towards its purchase (low vs. high motivation). The results revealed that in high motivation conditions, printers were perceived high on monetary sacrifice irrespective of the number of green attributes associated with them. Also in low motivation conditions, the printer was perceived less expensive when it was described as completely green. More interesting was the result that in low motivation conditions, description for the partially green printer was processed systematically and it was perceived expensive compared to the completely green printer.