

Research Report

# “Our” brand’s failure leads to “their” product derogation ☆

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Received 9 July 2015; received in revised form 23 March 2017; accepted 11 April 2017

Available online 18 April 2017

## Abstract

This research examines when and how consumers’ product attitudes and their subsequent word-of-mouth behaviors are impacted by negative information about a brand that is associated with their social group. We find that negative information about an in-group brand threatens the in-group members’ social identity, which in turn results in derogation of the threatening out-group’s product. Importantly, we identify that the communication source of the negative information determines whether a threat to social identity will be realized. The out-group product derogation effect is observed only when the communication of the negative information comes from an out-group (vs. in-group) source. Finally, we provide evidence for our proposed mechanism by showing that a group affirmation exercise mitigates the out-group product derogation effect we have identified.

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*Keywords:* Brand failure; Social identity; Out-group derogation; Country of origin; Affirmation

## Introduction

In the marketplace, negative information about consumer brands that are experiencing some form of crisis is common place. For example, recently, Volkswagen, Wells Fargo, and Uber have all been a focus of negative attention and discussion. How do consumers that identify with these brands, where the brand is central to their social group, react to such negative information? For instance, how do they treat other

products in the marketplace that are not related to their social circle? To provide insight into these questions, this research examines when and how consumers’ product attitudes and their subsequent word-of-mouth behaviors are impacted by negative information about a brand that is associated with their social group.

We document that negative information about an in-group brand (i.e., a brand associated with one’s social group) leads in-group consumers to derogate unrelated products from an out-group (i.e., products associated with an out-group but not related to the brand in crisis) when they perceive a threat to their social identity. Further, we suggest that the source of brand failure information is central in generating this identity threat. When negative information about an in-group brand comes from an out-group (vs. in-group) member, it is more likely to be perceived as a social identity threat, and thus leads in-group consumers to derogate the out-group’s products. Finally, we validate that a threat to social identity underlies our proposed process by showing that group affirmation (that mitigates the identity threat) moderates the likelihood of out-group product derogation occurring.

☆ The authors are grateful to Danny Liu, Gillian Choo, Hannah Lim, Dennis Galinski and Brianna Peruggia for their assistance with data collection, to Zeynep Gürhan-Canli for her help with getting complete the Brand Country-of-Origin scale, and to Katherine White, JoAndrea Hoegg, and Vanitha Swaminathan for their helpful comments on an earlier draft of this manuscript. This research was supported by the Social Sciences and Humanities Research Council of Canada.

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The current research thus offers two significant contributions. First, we find that negative information about an in-group brand leads to derogation of an out-group product not directly related to the brand in crisis (i.e., an “out-group product derogation effect”). Indeed, while previous research has focused on consumer attitude change to the particular brand in crisis (Ahluwalia, Burnkrant, & Unnava, 2000; Swaminathan, Page, & Gürhan-Canli, 2007), we show a broader impact of negative brand information. Specifically, when in-group consumers receive negative information about their in-group brand from an out-group source, they derogate the out-group’s product (i.e., cultivate negative attitudes and word-of-mouth behaviors), but do not change their attitude towards their in-group product. Interestingly, when they receive the same information from an in-group source they devalue their in-group product rather than derogate the out-group’s product.

Second, we find that it is the threat to the consumer’s social identity that underlies this out-group product derogation effect; an important contribution to the literature. While prior research has shown the impact of negative brand information on self-identity, i.e., a brand’s failure can threaten consumers’ self-identity when the consumer strongly identifies with the brand (Cheng, White, & Chaplin, 2012), we offer the first demonstration that negative brand information can also threaten consumers’ social identity. We find that negative information about an in-group brand coming from an out-group (vs. in-group) member is more likely to be perceived as a social identity threat and show that group affirmation that mitigates this threat reduces the likelihood of out-group product derogation.

## Theoretical background

### *Negative brand information as a social identity threat*

In the current research, we propose that negative information concerning a brand that represents one’s social group may impose a threat to the group members’ social identity. Social identity is defined as the individual’s collective self-concept derived from their social group membership (Tajfel, 1974). Generally, individuals in groups strive for a positive social identity and the need to obtain a positive social identity leads individual members to create, maintain, and/or manage information in ways that favor their social group (i.e., the in-group, Tajfel & Turner, 1986).

Previous research suggests that negative information concerning an in-group brand (i.e., a brand associated with a social group) can threaten the in-group consumers’ social identity, leading them to engage in defensive responses. Specifically, consumers are less likely to change their attitude towards a brand associated with their social group in response to negative brand information (Swaminathan et al., 2007). When American consumers were exposed to negative information about Dell (vs. Samsung), they were more likely to generate counterarguments as Dell is an American brand (e.g., “Dell is a reliable brand, I don’t trust these ratings.”) (Swaminathan et al., 2007). These results suggest that negative brand information associated with one’s social group (e.g., Dell for American consumers) can

motivate consumers’ to act defensively in response to a perceived social identity threat.

### *Out-group derogation as a defensive behavior*

Our research seeks to broaden our understanding of how consumers actively defend their social identity when they are threatened. Specifically, it tests whether consumers will derogate products from an out-group when they receive negative information related to their social identity, especially, negative information about their in-group brand. Indeed, it asks what conditions facilitate out-group product derogation in this context and how does derogation manifest here.

Initial insight into these questions is found in previous research centered on inter-group relationships (Tajfel & Turner, 1986). In contexts involving competition, in-group members react negatively towards an out-group when an out-group is perceived as threatening to the interests of an in-group (e.g., through direct competition). For instance, when groups are in competition over physical resources (e.g., for winning a lottery), in-group members show out-group derogation by devaluing out-group members’ traits (Rabbie & Horwitz, 1960). Furthermore, research on County-Of-Origin effects documents that when the political and economic interests of two groups conflict (John & Klein, 2003; Varman & Belk, 2009), people tend to show hostility towards products originating from an out-group. For example, when France refused to participate in the Iraq war, Americans boycotted French wines (Chavis & Leslie, 2009). In sum, previous research has shown broadly that in-group members will act negatively towards an out-group when said groups are in conflict and/or competition.

Building on both research areas noted above, we investigate whether negative brand information communicated by an out-group (that represents a threat to the in-group’s social identity) could result in negative reactions towards the out-group. Specifically, we test whether the in-group will derogate a product associated with the threatening out-group (i.e., product derogation becomes an extension of an out-group derogation effect). There are two important keys that underlie our predictions. First, we argue that out-group product derogation is not limited to the product category related to the brand in crisis, but rather spills over to products that are associated with the threatening out-group (Chavis & Leslie, 2009). Second, we propose that the source of communication is critical in generating the threat to social identity.

Indeed, previous literature has shown that the interpretation of social identity related information is dependent upon the source of the communication (Logel et al., 2009; Purdie-Vaughns, Steele, Davies, Dittmann, & Crosby, 2008). A social identity threat is known to arise when the positive group’s symbolic value or status is undermined by an out-group (Ellemers, Spears, & Doosje, 2002; Scheepers, 2009). It follows that communication from an out-group is an important pre-condition in determining whether social identity threat is realized or not. As such, if consumers receive negative information about their social identity (e.g., negative information about a brand associated with one’s social group) from out-group members, they are likely

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