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EXECUTIVE DIGEST

Guilty by association: The risk of crisis contagion

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Abstract Crisis contagion, or how a crisis spreads from one company to another, has received very little attention from researchers. This is surprising as the negative consequences of crisis contagion can be significant when customers make assumptions of guilt by association. This article focuses on this important issue and describes four risk factors—country of origin, industry, organizational type, and positioning strategy—that increase the likelihood of crisis contagion. Valuable guidance is also provided on whether a company should issue a denial or remain silent if it faces the risk of crisis contagion.

1. Crisis contagion: A major risk for companies

Much has been written about how executives should manage crises in their organizations. For example, in this journal, Laufer and Coombs (2006) wrote about how companies can manage ambiguous product harm crises and Claeys (2017) wrote about the benefits of stealing thunder when a company is involved in a crisis. However, what happens when a company is at risk of *crisis contagion*, or being linked to a crisis that is impacting another organization such as a competitor? How should a company respond in this type of situation? Researchers have discussed *rumor crises*, defined as the circulation of "an untruthful statement about an organization" (Coombs, 2015, p. 154). This article focuses on the analysis of risk factors associated with crisis contagion, which is related to the likelihood of a rumor spreading and linking the corporate response to the level of risk.

A good example of a crisis spilling over from one organization to another is a high-profile crisis involving the airline industry in April 2017. The incident began with a man being violently removed from a United Airlines flight by airport security due to the flight being overbooked. This incident was captured on video by several passengers and it quickly went viral (Lartey, 2017). After the incident was picked up by the media, people were quick to point to the issue of overbooking as an industry-wide problem, mentioning that it occurs at other

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airlines as well (Mahdawi, 2017). This incident highlights the risks for companies when a crisis occurs at another organization and raises the question—when does a crisis occurring at one company spread to others?

The topic of crisis contagion has received little attention. This is surprising as the negative consequences of crisis contagion can be significant when customers make assumptions of guilt by association. This article focuses on this important question, among others: What factors increase the likelihood of crisis contagion? How should a company respond? Should it issue a denial, or remain silent? We hope to provide valuable guidance to companies on these important issues.

2. What causes crisis contagion? The role of accessibility and diagnosticity

Companies can benefit from incorporating the accessibility-diagnosticity framework (Feldman & Lynch, 1988) in order to assess the risk of crisis contagion. Based on this framework, if crisis information is memorable to consumers and perceived as diagnostic in forming judgements, crisis contagion is likely to occur (Roehm & Tybout, 2006). It is worth noting that both of these conditions—accessibility and diagnosticity—need to be satisfied in order to trigger the contagion effect.

Accessibility is enhanced by the perceived similarity of the focal company and the company experiencing the crisis. This effect is associated with categorization. The more a company is perceived to be in the same category as the company experiencing the crisis, the higher the risk for crisis contagion (Janakiraman, Sismeiro, & Dutta, 2009). For example, Starbucks is a typical brand in the coffeehouse chain category. A crisis occurring at Starbucks is likely to activate consumers' knowledge of similar coffeehouse chain brands such as Caribou Coffee and Costa Coffee. The higher the perceived similarity of these brands with Starbucks, the more consumers will be reminded of these brands when they hear about Starbucks in the news or on social media.

Diagnosticity is also related to crisis contagion (Janakiraman et al., 2009). It is triggered when there is something about the category that is related to the crisis. For example, The Coca-Cola Company was criticized in the media for the large quantity of sugar in the company's soft drinks, which was linked to tooth decay in children (Parsons, 2016). If the crisis information (i.e., high levels of sugar) is perceived as being related to soft drinks in general, people will believe the crisis impacts other soft drink companies. This, in fact, can be seen in the media's coverage of other soft drink brands, Lucozade and Frijj; these companies were judged as guilty by association because they belong to the same category.

In line with this logic, similarities to other scandal attributes—such as safety for cars and fair-trade coffee beans for coffee chains—are associated with inferences about diagnosticity as well. The higher the perceived similarity to the scandal attribute, the more likely crisis contagion will occur (Roehm & Tybout, 2006). In many cases this is related to the positioning strategy of companies, however it can also occur independent of the positioning strategy if the attribute is commonly associated with a type of company or industry. For example, the contamination of milk powder of a specific brand may be generalized to the entire dairy industry due to consumers' concerns about food safety, regardless of the positioning strategy of the dairy companies. In a similar vein, a crisis involving corruption at a state-owned enterprise may be associated with other state-owned enterprises since consumers may believe that corruption is linked with government-owned entities.

In summary, whether a company is at risk for crisis contagion based on the accessibility and diagnosticity framework depends on consumer perceptions of whether the focal company shares a common category with the company experiencing the crisis (accessibility), and whether an attribute of the category is viewed as being linked to the crisis (diagnosticity). It is worth noting that if these two conditions are not met, crisis contagion is unlikely to occur. If, for example, the crisis is caused by an incident at a company which is perceived by consumers to be specific to that company, and not common to other companies in that industry, other companies will not be adversely impacted even if the category is accessible (Roehm & Tybout, 2006). For example, when the CEO of American Apparel was accused of sexual misconduct allegations and removed from his position in 2014 (Hanson, 2015), the risk of crisis contagion to other clothing brands such as Gap was low. These allegations of misconduct were perceived by consumers as unique to American Apparel.

In addition to accessibility without diagnosticity, diagnosticity without accessibility can also occur. This would reduce the likelihood of crisis contagion as well. For example, during the 2003 invasion of Iraq, there was a boycott of French products by American consumers due to the French government's stance on the war. However, the boycott didn't adversely impact all French brands because a number of them did not have French-sounding