

Alleviating Negative Spillover of a Brand-Harm Crisis: Sensegiving vs. Sensehiding
in a Competitor's Denial Response Strategy

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ABSTRACT

A brand-harm crisis not only affects the scandalized brand, but may also influence competing brands. Thus, marketers of competing brands need to develop response strategies for reducing negative spillover effects. This research takes a competitor's perspective and introduces two types of response strategies used to convey a sense of denial: sensegiving and sensehiding. It also investigates how the effects of response strategies are contingent upon brand relatedness and individual thinking styles. The results from three experimental studies show that using a sensegiving strategy reduces negative spillover effects more than using a sensehiding strategy. Additionally, the studies suggest that the observed difference in the effects of response strategy tends to be greater when the level of brand relatedness is high than when it is low. However, individual thinking styles (holistic vs. analytic) seem to have little impact on consumers' responses to the two denial strategies. This research contributes to the brand-harm crisis literature and provides novel insights into a competitor's response to potential negative spillover effects.

Keywords: sensegiving, sensehiding, brand-harm crisis, spillover effects, brand relatedness, thinking style

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1. INTRODUCTION

1.1 Problem Identification

Brand-harm crises are widely prevalent, ranging from Toyota's worldwide recall to the exposure of sweat shop labour by Nike's suppliers. These crises cause serious damages, which arouse the academic interest in the consequences of brand crises (Ahluwalia, 2002; Dutta & Pullig, 2011). While it is important to study the negative effect of brand-harm crisis on the scandalized brand or company, it is equally important to realize that related brands, companies or even the whole product category, which are not referred to in the brand-harm crisis, may also suffer severely. For example, on 19th Nov. 2012, the liquor products of JiuGui, a well-known Chinese brand in the *Baijiu* category, were exposed to be over the limit of dibutyl phthalate (DBP), a component that can cause cancer. It was not surprising that the stock price of JiuGui Liquor Co., Ltd broke the bottom line. However, the market value of all the liquor stocks vaporized 32.4 billion on the same day. The term "spillover" is used to illustrate this situation. It refers to the phenomenon of informational influences beliefs or behaviors that are not directly mentioned in a communication (Ahluwalia, Unnava, & Burnkrant, 2001).

Prior studies show that one brand's crisis can spill over from the scandalized brand to another brand, such as a brand in the same brand alliance (Votola & Unnava, 2006) or portfolio (Lei, Dawar, & Lemmink, 2008). Moreover, it is possible that the rival brands or the whole product category of the scandalized brand are also affected (Dahlen & Lange, 2006; Roehm &

Tybout, 2006). To deal with such situation, competitors can release a response after the brand-harm crisis, just as a scandalized company might do. Researchers have highlighted the importance of competitors' denial response strategy to the negative spillover effect from a brand-harm crisis (Roehm & Tybout, 2006). They suggested that when a negative spillover takes place, a denial response by a competitor is better than a silence response because a denial can lead to more favorable attitudes toward and beliefs about that competing brand, reducing the negative spillover effect. However, the real business world is more complicated. Consumers may not process the denial message literally (Mayo, Schul, & Burnstein, 2004). The correction brought by the denial response may cause unwanted results (Darke, Ashworth, & Ritchie, 2008). In addition, using an overly accommodating strategy may worsen the situation as well (Coombs, 2007b). Facing such a dilemma in presenting a denial response, marketers have to consider other ways to disperse consumers' doubts about the competitors' involvement in a brand-harm crisis in other ways, rather than just saying, "We have no such problems".

However, prior research did not provide marketers with sufficient clues about how to respond to negative spillover from other brands in the same product category. In their research, Roehm and Tybout (2006) used the word "subtle" to describe one of the two denial messages that were delivered by competitors in the two experimental studies, without providing any further interpretation relating to the usage of such subtle language. This word "subtle" implies the existence of different forms of denial response, which may have different outcomes on reducing the negative spillover effect. Due to the importance of a competitor's response strategy to the

negative spillover effect and the lack of related studies, more research is needed to answer a series of questions. Which form of denial response can persuade consumers to believe the innocence of the competing brand? Do different forms of denial responses have different impacts on reducing the negative spillover effect? If these differences do exist, which condition influences the effectiveness of different forms of denial response?

1.2 Research Questions

To answer these questions, we introduced the concepts of *sensegiving* and *sensehiding* to the competitor's denial response strategy in order to test the different effects of two forms of denial response strategy on reducing the negative spillover, and to identify the key variables that influence their effects.

The first question relates to sensegiving and sensehiding. We proposed to introduce the concepts of sensegiving and sensehiding, which represent different message framings of denial response strategy adopted by competitors, to the brand-harm crisis study. We also attempted to test whether these two forms of denial response have different impacts on reducing the negative spillover effect. From the theoretical perspectives of organizational studies and linguistics (Mayo et al., 2004; Vaara & Monin, 2010), sensegiving refers to a technique that mobilizes the discourse in terms of promoting a specific kind of thinking and action. In this study, a sensegiving denial strategy occurs when a message contains a straightforward denial response. In contrast, sensehiding refers to a technique that manipulates discourse in terms of hiding particular ideas

(Sinha, Inkson, & Barker, 2012; Vaara & Monin, 2010). A sensehiding denial strategy is defined as a message that conveys a denial intention but contains no specific negation words in the framing. Based on these two different message framings of denial response, we predicted that sensegiving and sensehiding reduce the negative spillover effect in varying degrees. More specifically, the negation that the sensegiving denial strategy contains ensures the effectiveness of sensegiving message is more than the one of the sensehiding message.

The second research question concerns the conditions of the two forms of denial strategies. We theorized that the effectiveness of a competitor's denial response strategy (sensegiving vs. sensehiding) on alleviating the transfer of negative brand publicity depends on *brand relatedness*, which is defined as the strength of the association between the scandalized brand and the competitor brand in this context (Lei, Dawar, and Lemmink, 2008). In particular, we expected that sensegiving tends to be more effective than sensehiding when the association between the scandalized brand and the competitor brand is strong. In contrast, the effects of the sensegiving message and the sensehiding message are likely to be similar when the association is weak. In other words, brand relatedness magnifies the difference between the effects given by the two forms of denial strategy. Furthermore, we explored whether thinking style, as the individual characteristic, affects how consumers process the competitor's response message of the brand-harm crisis. Prior research has provided evidence that individual differences, such as different thinking styles, help mitigate the effect of brand-harm crisis differently (Monga & John, 2008). In this study, we posited that the individual thinking styles also affects how consumers

process the competitor's response message about the brand-harm crisis. Thinking style can be divided into two types: *analytic* and *holistic*. Analytic thinkers are people who "focus on attributes of the object to assign it to categories, and prefer to use rules about the categories to explain and predict the object's behavior" (Nisbett, Peng, Choi, & Norenzayan, 2001, p. 293). Holistic thinking refers to "involving an orientation to the context or field as a whole, including attention to relationships between a focal object and the field, and a preference for explaining and predicting events on the basis of such relationships" (Nisbett et al., 2001, p.293). On the basis of these theoretical perspectives, we predicted that when brand relatedness is low, the negative spillover effect to competing brand is less salient for analytic thinkers than for holistic thinkers. Conversely, when brand relatedness is high, the negative spillover is less salient for holistic thinkers than for analytic thinkers.

1.3 Contributions

1.3.1 Theoretical Contributions

The first theoretical contribution of this study is to introduce the concept of sensemaking to the brand-harm crisis area. More specifically, we divided the denial message that is provided by a competing brand or company into two forms: sensegiving and sensehiding. These two forms have their own message framings, but share the same sense: denial. With these concepts, the research related a competitor's response strategy would be further enhanced. Furthermore, we also explored the interaction effect among two response strategies and two contingent variables,

brand relatedness and thinking style. The findings of this study help to further understanding the meaning of the concepts of sensemaking.

The second theoretical contribution of this research lies in its focus on a competitor's reactions to brand-harm crisis. A comprehensive review of the current literature indicates that few studies have actually addressed brand-harm crisis from a competitor's perspective. To the best of our knowledge, Roehm and Tybout (2006) is perhaps the only study that highlights the importance of understanding potential negative spillover to competing brands. Their results suggest that a denial strategy could be effective to help competitors to mitigate negative consequences. Our research extends the current literature by investigating specific denial response strategies.

The final theoretical contribution of this research is to understand the contingent conditions that are associated with denial response strategies. Drawing up the associative network theory (Collins and Loftus, 1975), we identify the variable of brand relatedness, and propose that it plays a moderating role in affecting consumers' responses to denial strategies. We explored how brand relatedness interacts with a denial message in reducing the negative spillover effect. Thus, we provide a better understanding of the contingent conditions.

1.3.2 Managerial Contributions

This research provides marketers with a new response strategy when they would consider developing a response to other brands' crises. Instead of simply saying "we are not guilty", competing companies may use a more subtle framing of response messages to convey consumer

compliance. Such response may help reduce the negative spillover effect without causing counterarguments among the target consumers.

The second managerial contribution is to provide additional clues about how to use the denial message strategically. Previous research emphasizes the similarity between the scandalized brand and the competing brand (Dahlen & Lange, 2006). In this research, we emphasized that brand relatedness is more relevant the understanding of negative spillover effects. It can help marketers to identify the connection between the scandalized brand and competing brand, making the denial message more effective in the marketplace.

1.4 Research Methodology

Given the theoretical nature of the research, an experimental method was adopted. More specially, experiments are used to grasp the cause-and-effect relationship between variables (Hicks & Turner, 1999). Researchers can control or manipulate some certain variables or conditions in order to exclude interferences. Hence, the effects of variables other than the independent variables are minimized. The design of the experiment has two principles: control and randomization (Fisher, 1935). The first principle refers to the identification of potential confounding factors and conduction of additional mechanisms to control the factors. The point of randomization is about control as well. Random assignment can help the researcher to control those confounding factors that are not identified. By having effective control of the confounding factors and a suitable manipulation, researchers can have a better understanding about whether

variable A has the effect on variable B and the valence of the effect. The experimental method is relatively common in the consumer behavior study, especially for those studies that use psychological theories as the theoretical support.

We designed the experiments based on prior studies, and the research objectives. We conducted three pretests to get the proper experiment materials. Those pretests helped to get the acceptable validity. There were three main studies. A one-way test, a two-way interaction and a three-way interaction among different forms of denial strategy, brand relatedness and thinking style were explored in three studies. Study 1 focused on only the two response strategies, sensegiving and sensehiding. The silence strategy was adopted as the baseline in Study 2 and Study 3. Furthermore, we manipulated brand relatedness in different ways. To get a high generality, a different type of brand-harm crisis was considered as the primary information to stimulate the spillover in Study 3 and brand-harm crises in three experiments come from different product categories. In all three studies, demographic data, such as gender, age, the educational level, was also be collected. Related control variables were included in the studies as well.

The participants included undergraduate students and Master of Business Administration (MBA) students. All participants were Chinese students. Approximately five hundred respondents participated in all of the three separate studies. The use of a relatively homogenous sample was to provide a stronger test of our theoretical arguments and research hypotheses.

SPSS 19.0 was used as the statistics software to analyze the data. ANOVA was the main

statistic method in this research. The experimental data was analyzed with respect to both main and interaction effects of the key variables of our interest.

In conclusion, both the data collection methods and data analyzing methods were designed attentively. The experimental design was carefully conducted in line with previous research in the area.

2. LITERATURE REVIEW

2.1 Brand-Harm Crisis

Consumers have access to various kinds of negative information about different brands easily. Following the increasing number of brand crises, research related to this topic has also been flourishing. Previous research has focused on brand-harm crises from different aspects: (1) nature of the brand-harm crisis (Dutta & Pullig, 2011), (2) the consumers' perspective, such as how consumers' individual traits (e.g., thinking styles, gender or age) affect the processing of the brand-harm crisis (Laufer & Gillespie, 2004; Laufer, Silvera, & Meyer, 2005; Monga & John, 2008), and how consumers respond to brand-harm crises (Ahluwalia, Burnkrant, & Unnava, 2000), (3) the company perspective, such as how company characteristics reduce or increase the harm brought by the brand-harm crisis (Greyser, 2009), how a company should respond to the brand-harm crisis (Combs & Holladay, 2008), (4) the external institution perspective, such as how government or media's actions influence the processing for the crisis (Dean, 2004) or, of course, (5) the consequences that resulted from by brand-harm crisis.

Research has already provided sufficient evidence about the effects of a brand-harm crisis on the scandalized brand or company. Once a brand suffers a crisis, its sales performance (Goldenberg, Libai, Moldovan, & Muller, 2007), financial value (Chen, Ganesan, & Liu, 2009), market share (Van Heerde, Helsen, & Dekimpe, 2007) or brand equity may decrease (Dawar & Pillutla, 2000). The scandalized company's reputation is also threatened by the crisis (Combs,

2007a). Consumers' brand attitude, brand evaluation (Ahluwalia et al., 2000), satisfaction and purchase intentions are reduced (Pullig, Netemeyer, & Biswas, 2006) as well. Unfortunately, a brand-harm crisis does not only affect a scandalized brand or company.

A brand is not alone in the complex marketplace. One brand may have a sub-brand, parent brand, extended brand, co-brand and competing brand. Hence, it is likely the brand-harm crisis can also influence such other brands, which are not mentioned in the brand-harm crisis messages, but may be somehow related to scandalized brand. Scholars use a term "spillover" to describe such a phenomenon.

2.2 Negative Spillover of Brand-Harm Crisis

A spillover occurs when existing information or perceptions influence the beliefs (or attitudes) that are not directly indicated by or related to the original information source or perception object (Ahluwalia et al., 2001). This phenomenon has been the core concept of some significant research streams, such as brand extension or brand alliances research, in the branding literature (Janakiraman, Sismeiro, & Dutta, 2009). Researchers have conducted a large amount of studies about the spillovers that result from positive information. For instance, the reciprocal spillover between the extension brand and the parent brand (Balachander & Ghose, 2003a) the positive spillover effects on the individual brands that form the alliance (Simonin & Ruth, 1998), the positive effect from the partner brand on the host brand (Desai & Keller, 2002; Swaminathan, Reddy, & Dommer, 2012). However, like positive information, negative messages can also

induce spillover among brands. The term negative spillover refers to the spillover of negative information from one brand to another. This research extends prior work by examining the mechanism of a negative spillover and the response strategy against a negative spillover.

Previous investigations demonstrate that a negative spillover can occur from one scandalized brand to another brand within the same brand portfolio (Lei et al., 2008) or brand alliances (Votola & Unnava, 2006), from a scandalized brand to its extension brands (Balachander & Ghose, 2003a, 2003b; John, Loken, & Joiner, 1998) or from one single scandalized brand to the whole product category (Dahlen & Lange, 2006; Roehm & Tybout, 2006).

To understand when and how negative spillover occurs, researchers have studied the mechanisms behind scandal spillover effects by using frameworks or theories, such as the accessibility-diagnostics framework (Roehm & Tybout, 2006; Feldman & Lynch, 1988), assimilation and contrast effects (Dahlen & Lange, 2006; Meyers-Levy & Sternthal, 1993), negativity effects (Votola & Unnava, 2006; Broniarczyk & Alba, 1994) and by the associative network theory (Lei et al., 2008; Collins & Loftus, 1975).

2.2.1 The Accessibility-Diagnostics Framework

The accessibility-diagnostics framework is used to study the negative spillover effect. This framework can be explained by spreading-activation theory (Collins & Loftus, 1975) and implicit theory (Broniarczyk & Alba, 1994). The framework indicates that “an earlier response will be used as a basis for another subsequent response if the former is accessible and if it is

perceived to be more diagnostic than other accessible inputs” (Feldman & Lynch, 1988). As for phenomena related with multiple brands: the memory of Brand A, which resides in a network (accessibility, coming from spreading activation theory), can activate the memory of Brand B based on a strong link between the two, making Brand A be considered as informative about Brand B (diagnosticity, coming from implicit theory). Thus, the observation of Brand A can be implicated to Brand B as well.

Applying this framework to a brand scandal context, researchers have explored four factors that affect the accessibility or diagnosticity of the scandalized brand. The first factor, which affects both accessibility and diagnosticity, is the typicality of the scandalized company and scandalized attribute. The term “typicality” indicates the good representation of the category and relatively highly graded product category membership (Loken & Ward, 1990). For example, Burger King is a typical brand, and hamburger is the typical attribute in the fast food category. The typical brand or attribute has strong associative linkages with the category, and accessibility is elevated by strong associative linkages (Barsalou, 1992). When the scandalized brand (or attribute) is typical in the category, consumers may activate the association of the whole product category after hearing about the brand-harm crisis. Meanwhile, since a typical brand stands for high representativeness of the category, any new information of the brand or company might be intuitively viewed as diagnostic (Barsalou, 1985) to the category. In this case, the accessibility and diagnosticity of the scandalized brand increase, and the crisis may spill over to other brands. The second factor is the valence of the information, which mainly affects the diagnosticity.

According to a negativity effect, consumers more weight than on negative information (Maheswaran & Meyers-Levy, 1990). The brand-harm crisis, as a kind of negative information, thus, is much more diagnostic to consumers when they evaluate both a scandalized brand and a competing brand. The third factor is similarity among brands and similarity strengthens the linkage between brands. On the one hand, high similarity implies that both the scandalized brand and the competing brand are in the same brand network, referred as high accessibility. On the other hand, Broniarczyk and Alba (1994) pointed out the perceived diagnosticity is positively related with similarities. Therefore, a spillover can easily occur from a scandalized brand to a competitor, which is similar to the scandalized brand. The fourth factor is context. This factor can influence consumers' perceptions about the diagnosticity of a crisis. More specifically, when a contextual cue implies the similarity between brands, consumers may process the brand-harm crisis as a common event shared by both the scandalized brand and the competing brand, hence the brand-harm crisis has high diagnosticity for the competing brand. In contrast, when a contextual cue encourages consumers to think about the distinction among brands, consumers are more likely to consider a brand-harm crisis as a unique issue of the scandalized brand. In this case, the brand-harm crisis seems to have no effect on the competing brand. Spillover does not happen.

In short, the accessibility-diagnosticity framework can be used to interpret when and how the spillover of a brand-harm crisis occurs. The four factors, typicality, valence of the brand-harm crisis information, similarity, and context, affect the influences of this framework on

when and how a brand-harm crisis spills over to a competing brand. However, the accessibility-diagnostics framework is not the only framework (or effect) to explore the mechanism behind the negative spillover.

2.2.2 Assimilation and Contrast Effects

Dahlen and Lange (2006)'s study is based on the literature about brand evaluation. As a part of brand schema, brand evaluation is a temporary construction. Any attitude-relevant information may influence a brand evaluation (Reed II, Wooten, & Bolton, 2002). During the process of updating the brand evaluation, context is as important as the brand itself (Weilbacher, 2003). When a brand-harm crisis occurs, this negative information may lead to a negative brand evaluation of the scandalized brand. Moreover, it is likely that the brand evaluation of its competing brand may be interpreted as well, mainly because the brands are in the same product category. The result of this interpretation can be either positive or negative, which depends on how consumers associate the competing brand with the scandalized brand (i.e. context brand).

According to Herr (1989), the degree of associative overlap between brands determines how a brand relates to the context brand. Similarity can be used to represent such associative overlap. The more similarity there is between a brand and the context brand, the higher the degree of associative overlap (Herr, 1989). A high degree of associations between brands fosters assimilation whereby a as low degree of associations between brands fosters contrast (Meyers-Levy & Sternthal, 1993). If a brand (e.g., a brand in the same product category) is dissimilar to the scandalized brand (i.e. the context brand), consumers may evaluate the brand

with contrast. Consumers consider the scandal as a result of one brand's unique behavior, thus the brand scandal is taken as non-diagnostic for the category or competing brand. Such a contrast leads to a positive evaluation of the dissimilar brand. The negative spillover does not happen (Roehm & Tybout, 2006). However, if a brand is similar to a scandalized brand, consumers evaluate the brand with assimilation, indicating that they evaluate the competing brand similar as to how they would evaluate the scandalized brand. Therefore, the brand-harm crisis negatively affects evaluations of the similar brand. A brand-harm crisis indeed spills over to other brands, such as the competing brand, or even the product category (Dahlen & Lange, 2006).

In the light of the mechanisms above, one can realize that similarity between a scandalized brand and other brands plays a significant role during the negative spillover process. Similarity can increase the accessibility and perceived diagnosticity. It also determines whether consumers use assimilation or contrast when they relate other brands to the scandalized brand. However, the underlying function of similarity is to describe the association among brands; we still need to know more about why and how such associations affect negative spillover. Lei et al. (2008)'s research provides a better understanding of this rationale by using the associative network theory.

2.2.3 The Associative Network Theory

According to the associative network theory (Collins & Loftus, 1975), a brand is represented by a node in the consumer's memory. The paths or linkages among those nodes show the relationships among brands. The more attributes two brands share, the more paths or linkages exist between them, making these two brands connected to each other strongly (Ulhaque & Bahn,

1992). Coming to the spillover in a brand network, according to Collins and Loftus (1975), it can be represented in two steps: 1) the retrieval of related brand nodes and 2) their updating. The “retrieval” in the first step is caused by “spreading activation” through the association network (Collins & Loftus, 1975). According to spreading activation theory, activation facilitates the transfer of information from long-term memory to working memory. Sufficient levels of activation may exist in some (frequently or recently seen) brand nodes or can even "spread" from internally generated or external retrieval cues to other brands (brand nodes). Thus, retrieving a brand is a direct function of nodal strengths of activation (Nedungadi, 1990).

Following this logic, the mechanism behind scandal spillover between brands can be considered as a spreading activation across a brand’s associative network. When the memory of Brand A and Brand A’s nodes are activated by negative brand publicity (i.e., an external information prime), the memory of Brand B and its nodes may also be activated because Brand B is in the same brand network as Brand A. Thus, the activation will spill over from Brand A to Brand B through the associative network paths or linkages that the two brands share. Furthermore, the nodes of Brand B are changed as well due to the activation. Therefore, how Brand A and Brand B associate with each other in the brand’s associative network determines the spillover effect. The strength and directionality of association affect the pattern of spillover between brands. In this case, even though Brand B is not mentioned in the brand-harm crisis message, consumers may still think of Brand B. Previous work used this theory to study negative spillover in brand portfolios (Lei et al., 2008).

In conclusion, scholars have studied the mechanisms of the spillover effect by exploring the nature of brand scandal, the associations among brands, and consumers' processing of the brand scandal. In fact, these supportive rationales also provide clues for companies to respond to the negative spillover.

2.3 Response to Negative Spillover

Scandalized brands or companies always face the financial losses and damage to the brand image or company reputation. Luckily, firms still have a chance to provide more information to consumers, such as issuing a response to the brand-harm crisis. Firms' responses represent the words and actions that managers use in dealing with crises (Coombs, 2007b). The response can be taken as a chance to reduce the negative effect that the crisis brings to the firm or brand by influencing how people perceive the crisis and the scandalized company. It is also the only opportunity for firms to deliver information to consumers directly.

Just as a scandalized brand (or company) can be affected, related brands (or companies), which suffer from a brand-harm crisis, also face extensive financial losses and damage to their reputation. These companies can also consider issuing a response to alleviate the negative effect.

Roehm and Tybout (2006), one of the most recognized studies about how competitors should reply to negative spillover, discussed the importance of the denial strategy, compared to keeping silence. They found out that when consumers do not believe a competing brand engages in the scandalous behaviour, denial might trigger a boomerang effect. According to studies on

communication norms, messages that contain the redundant meaning with the current attitude are not literally informative (Gruenfeld & Wyer, 1992). Thus, if the consumers already believe the competing brand does not engage in the crisis, a message that the denial response delivers is likely to be perceived as redundant. Consumers will not process the denial response literally, indicating consumers may start to believe the competing brand does engage in the crisis, and a negative spillover hence occurs after all.

In contrast, when scandal spillover has occurred (i.e. consumers already believe that the competing brand got involved in the brand-harm crisis), issuing a denial response reduces more negative spillover than keeping silence does. The main reason is that the denial message is new information to consumers, which can be processed literally and informatively. The denial response motivates a corrective process. During this process, consumers can update their attitudes towards and beliefs about the competing brand based on the denial message. Eventually, the attitude and belief become more favorable. If a competitor keeps silence, the corrective process will not be triggered and the negative attitudes or beliefs remain.

However, using the existence of negative spillover of a brand-harm crisis to determine which response strategy, denial or silence, should be used is arbitrary. Even though the negative spillover occurs, a denial response may still cause problematic consequences.

First, denial, as a correction, can bring unintended side effects (Darke et al., 2008). The correction message itself can be misunderstood easily (Jacoby, Nelson, & Hoyer, 1982). Besides, consumers only provide limited memory for the information in the corrective message (Mazis,

McNeill, & Bernhardt, 1983). The unintended effect also can take place in the information source: the firm that releases the corrective message. For example, a firm's reputation can be undermined, especially for those firms whose previous reputations are high (Johar, 1996). Consumers may also question other products which are produced by the same firm but are not mentioned in the corrective message (Dyer & Kuehl, 1978; Mazis & Adkinson, 1976).

Second, except reducing the negative spillover effect, a denial message may bring unwanted results, such as higher expectations of the competing brand. After consumers process the denial message literally, the attitudes towards or beliefs about the competing brand become favorable. Meanwhile, the expectations of the competing brand also increase. As a result, if the competing brand is exposed to have the same brand-harm crisis or does not satisfy consumers, consumers may evaluate the competing brand even more negatively (Darke, Ashworth, & Main, 2010). Compared to silence, a denial response indeed brings more risks.

Third, existing consumers may process the denial message differently. When a scandal occurs, consumers' hopes that the product can help them reach goals are threatened. Consumers, especially existing consumers, may initiate motivated reasoning (De Mello, MacInnis, & Stewart, 2007). Applying the idea of motivated reasoning to a brand-harm crisis context, information and information resources that are favorable to a scandalized brand are considered as credible by existing consumers. Consumers may even proactively search for favorable information or information resources. On the other hand, a denial response from a competitor indicates the "innocence" of the competing brand and highlights the "guilt" of scandalized brand. Such denial

threatens the hope that a scandalized brand has good performance, and reminds the consumers that they have made an unwise purchase decision. Existing consumers may consider the denial message as unfavorable information, and the competitor as a low-credibility information resource (MacInnis & De Mello, 2005). Therefore, the denial message is not able to make more favorable consumer attitudes toward and beliefs about the competing brand.

Fourth, a denial message itself is a negation and the processing of a negation is more complicated than the processing of an affirmation. Clark and Chase (1972) pointed out that an encoding negation is more time-consuming than a processing affirmation because negation contains an additional operator, the negation operator, which is separated or dissociated from the message's core concept. For example, this mobile phone is not black. "Not" is the negation operator and "this mobile phone is black" is the core concept. Theories from social psychology and linguistics indicate that the processing of a negation (i.e. denial in this study) may follow the schema-plus-tag model: affirmation first, negation tag next. These two steps dissociate each other at a later point in time (Grant, Malaviya, & Sternthal, 2004). For example, when KFC was exposed to use contaminated food materials, KFC responded to the crisis claiming that we "never" (negation tag) "use contaminated materials for our products" (affirmation). After reading the response, consumers may process the negated message with negation-incongruent associations (Mayo et al., 2004). As such, an impression may be created that KFC indeed uses contaminated materials. A denial response still hurts KFC. Thus, a denial response itself may not make consumers' attitudes toward and beliefs about the competing brand more favorable.

Meanwhile, affirmation has its own advantage. The initial resource assigns a priority to the distribution of affirmation (Just & Carpenter, 1976). It means that processing negation needs more cognitive resources than processing affirmation (Gilbert, Tafarodi, & Malone, 1993). Other research also shows that after a delay, affirmation is more accessible than negation (Fiedler, Walther, Armbruster, Fay, & Naumann, 1996).

To sum up, issuing a denial should not be an automatic reaction when a similar brand in the same product category is involved in a scandal. A more elaborated study about the competitors' denial strategy presented is needed. In fact, a competitor has many methods to deliver the denial message to consumers. Competitors can provide a straightforward form, just as prior research does. Competitors can use the metaphor to present the denial. Hence, it is important for marketing researchers or marketers to figure out what is the alternative way to deliver a denial response.

Before discussing this issue, we need to emphasize the ultimate goal of any response strategy from the competitor: to distance the competing brand from the scandal. In other words, a competitor of the scandalized company wants to deliver a message: a competing brand or company does not want involvement in the brand-harm crisis. Hence, the process of presenting a response is a process of sensemaking.

2.4 Sensemaking

Weick (1979) introduced the concept of “sensemaking” for the first time. Sensemaking is

defined as meaning creation based current and prior interpretations of thoughts. These thoughts can come from three sources: retrieval from internal memory, external stimuli, and seemingly random focus in working memory (Woodside, 2001). Together, sensemaking includes both explicit and implicit mental processes of constructing, framing, creating and rendering a view. At first, the concept of sensemaking was not used widely in consumer research, but rather in organizational studies. It is used to present a communicative interplay between an organization and its stakeholders, among stakeholders, and even within individual stakeholders (Press & Arnould, 2011). Such an interplay makes sensemaking a key process to build organization identification (Ashforth, Harrison, & Corley, 2008; Weick, 1995). For example, employees can observe sensemaking through dressing, office decoration, performances, and behaviours, factors that follow to norms of organizational identify (Ashforth et al., 2008). From a consumer's perspective, the identification of an organization can also be disseminated through sensemaking activities, such as from a company's related rites, rituals and routines (Bhattacharya & Sen, 2003). However, this concept applies to the marketing context; the marketing decision is a kind of information that marketers want the employees or consumers to accept. To make the acceptance happen, marketers need to interpret the available information at a particular point in time to consumers and employees, referred as sensemaking (Ford, Gadde, Hakansson, & Snehota, 2003; Weick, 1979, 1995). Such interpretive work that a company provides can help consumers or employees make sense of brands, marketing communications, service personnel, and firms (Fournier 1998).

There are a few actions aimed at influencing individuals to make sense in a particular way. In this study, we focus on two of them: sensegiving and sensehiding.

2.4.1 Sensegiving

Sensegiving refers to the communicative process of influencing the “meaning construction of others toward a preferred organizational reality” (Gioia and Chittipeddi, 1991). It provides the materials to make constituents recognize how to behave in the organization (Ashforth et al., 2008). It can help an organization to reorder the priorities or disrupt the established or regulation relationships. In short, sensegiving corresponds to the concept of “*saying out*” (Weick, Sutcliffe, & Obstfeld, 2005).

The main differences between these two concepts are that sensemaking refers to a communicative interplay between organization and employee or consumers, and sensegiving is more like a one-way communication, from organization to employees or to consumers (Press & Arnould, 2011). The sensemaking process shows how managers understand, interpret and create sense for the organization and gain support from organization constituents (Rouleau, 2005). The process of sensegiving is concerned with managers’ attempts to influence the outcome, to communicate their thoughts about the change to other stakeholders, especially when external environments change (Rouleau, 2005). The difference explains why sensemaking needs to be complemented by sensegiving (Gioia & Chittipeddi, 1991). To achieve the success of strategic change, organization constituents have to get a good understanding and accept the new strategy. Therefore, what and how sensegiving presents the strategic change is the critical point.

Strategic change not only happens in structures and processes, but also shifts the cognitive organizational reorientation (Barr, 1998). Hence, strategic change often involves symbolic struggles over the purpose or mission of the organization. From the social movement view, framing, defined as a “decision maker’s conception of the acts, outcomes, and contingencies associated with a particular choice” (Tversky & Kahneman, 1981, p. 4538), has been used to understand the symbolic struggle over the meaning of strategic change (Benford & Snow, 2000). Therefore, as a method that can help constituents understand and accept the strategy that involves symbolic struggles, sensegiving presents how strategic change is framed and diffused to an organization’s constituents (Fiss & Zajac, 2006). A proper framing of sensegiving can help an organization reach the success of strategic change. In short, framing can be understood as “schemata of interpretation”(Snow, Rochford Jr, Worden, & Benford, 1986). To get a proper framing, managers can manipulate the interpretation diversity in order to cater different audiences. The manipulation can be conducted through selectively punctuating and encoding (Hunt, Benford, & Snow, 1994).

Prior research has explored the role of sensegiving within various studies. For example, how sensegiving creates an organizational development initiative (Bartunek et al., 1999), how leaders use sensegiving to represent an attempt to provide the new label (Corley & Gioia, 2004), why senior managers’ sensegiving about events, which is surrounded by strategic changes, is significant in narrative (Dunford and Jones, 2000), or how ideas, raising issues, and questioning assumptions can be delivered through sensegiving activities (McNulty & Pettigrew, 1999).

The existence of a spillover effect of a brand-harm crisis is a situation that a competitor usually can not predict or control. In other words, a negative spillover effect may force a competitor to have a strategic change. Hence, a sensemaking process is needed. Sensegiving is an effective strategy because its unique “saying out loud” concept can help stakeholders understand how a competitor deals with the negative spillover more quickly and clearly. That makes managers of competing companies regard sensegiving as an automatic reaction. However, besides the sensegiving’ “loud and clear” interpretation of strategic change, sensehiding can also be used to make sense. The “low-key” style of sensehiding does not preclude such a strategy as being a useful one to make sense of.

2.4.2 Sensehiding

Comparing sensemaking and sensehiding, sensehiding is a relatively new concept. Researchers started to use this concept in organizational studies since 2010. It shows how images become distorted or manipulated through holding back a particular aspect (Vaara & Monin, 2010). To reach the purpose of holding back, certain discourses have to be consciously avoided during the process (Mahapatra & Pattnaik, 2013). Two methods are used in the sensehiding process: silencing the alternative discourse, and marginalizing the particular voice (Monin, Noorderhaven, Vaara, & Kroon, 2012). In Monin et al.’s (2012) study, an excellent example was given: “Top management focused extensively on ‘equality’ and ‘balance’ during the first years but deliberately avoided using the term ‘merger.’ Later ‘fairness’ was linked more with equity, and ‘the M-word’ was re-appropriated, but terms such as ‘takeover’ remained taboo.” In the

example above, managers may silence the term “merger”, and marginalize the meaning of “fairness” by using “equality” and “balance”. The example also shows the vocabulary in the message can be dynamic.

The research related to sensehiding is very limited. Prior studies have used sensehiding as a tool to conduct a merger (van Vuuren, 2011), to build the justice in post-merger integration (Monin et al., 2012), to present the strategic change (Mahapatra & Pattnaik, 2013), and to understand the commitment of failure from a celebrity CEO and other stakeholders (Sinha et al., 2012). Obviously, the concept of sensehiding has not been systematically explored. The main reason is the examining of taboos or the unsaid is difficult to conducted methodologically (Monin et al., 2012). However, we still can use framing to understand the interpretation in sensehiding because framing can also been made through simply keeping some factors, while hiding others (Williams & Benford, 2000). It is likely the concept of framing can help to set our understanding of sensehiding through the process of hiding.

Before further discussion about the application of sensemaking, sensegiving and sensehiding in a brand-harm crisis study, the relationships among these three concepts need to be clarified. Currently, there is no unified hierarchy among them. Some researchers consider sensegiving and sensehiding are the methods of sensemaking (van Vuuren, 2012). Some scholars regard sensegiving and sensemaking in the same layer, and sensehiding, sensebreaking and sense specification are the tools to deliver the sense (Monin et al., 2012). There is also one study that considers sensehiding, sensegiving and sensemaking in the same level (Chan, Johansen, & Moor,

2011). From a message framing perspective (Evans, Clibbens, & Rood, 1996), it is conceptually sound to treat sensegiving and sensehiding as the two separate message strategies in marketing communications.

After a brand-harm crisis, a company may consider communicating with consumers about the cause of the crisis, attribution of the crisis, or how to respond. These communications help consumers make sense of a crisis and eventually update the identification of the brand or the organization. For a competitor of the scandalized company, sensemaking is also important because such interactions can help to reduce the negative spillover effect through the proper response strategy. The concepts related to sensegiving or sensehiding can be used to explore how a competitor of a scandalized brand (or company) should respond to negative spillover from a brand-harm crisis.

3. THEORETICAL MODEL AND HYPOTHESIS DEVELOPMENT

3.1 Theoretical Model

The core theoretical framework used in this study is the associative-network theory, according to which semantic memory or knowledge consists of a set of nodes and links (Collins & Loftus, 1975). Nodes comprise information stored in the memory. A brand's associative network contains two kinds of nodes: brand nodes, such as "McDonald's," and nodes associated with the brand, such as a picture of a hamburger or a large yellow letter "M". The connections between nodes vary in strength. The movement from node to node, known as spreading activation, determines the extent of retrieval from the memory. This process connects brands via shared associative nodes (Keller, 1993). The stronger the association between two brands, the more likely spillover is to occur. Brand relatedness describes the strength of association between two brands and it offers a useful tool for exploration of the negative-spillover effects of a brand-harm crisis (Lei et al., 2008).

Drawing on previous organizational research (Weick, 1995; Gioia & Chittipeddi, 1991; Monin et al., 2012), we identified two main denial message strategies: "sensegiving" and "sensehiding." The effectiveness of these two types of denial message on reducing the negative-spillover effect of a brand-harm crisis may differ. Generally, we expect sensegiving messages to more effectively mitigate negative spillover. Moreover, denial strategy interacts with brand relatedness on reducing negative spillover. When brand relatedness is high, a sensegiving

strategy is expected to mitigate negative spillover much more effectively than a sensehiding strategy. When brand relatedness is low, the difference between the effects of the two strategies is relatively small. We also propose that individual thinking styles, namely analytical vs. holistic thinking (I. Choi, Koo, & Choi, 2007), influence the interaction effects of brand relatedness and denial strategy. Analytical thinking refers to a cognitive strategy which pays attention on the attributes of each component object so that the phenomenon can be assigned into a certain category. With the categorization, analytical thinking can explain and predict the phenomenon. Holistic thinking, on the other hand, refers to a cognitive strategy which combines a phenomenon with its context. Such thinking also considers the causality between the components of the phenomenon (Nisbett et al., 2001). When brand relatedness is high, both denial strategies are more likely to persuade holistic thinkers than analytical thinkers. When brand relatedness is low, the two denial strategies are more likely to convince analytical thinkers than holistic thinkers.

Three general hypotheses are developed in this study. Hypothesis 1 concerns the main effect of denial message strategy on the negative spillover from brand-harm crisis. Hypothesis 2 presents the interaction between brand relatedness and denial messages strategy. Hypothesis 3 quantifies the effect on negative spillover of the interaction between individual thinking styles (analytical vs. holistic thinking), brand relatedness, and denial message strategy.

3.2 Main Effects of Denial Strategies on Spillover

3.2.1 Denial as the Sense

Before discussing sensegiving and sensehiding, it is important to note that regardless of message type (including silence) competitors witnessing a brand-harm crisis sometimes seek to persuade consumers that their brands were not involved in the crisis. This persuasive strategy is itself a sensemaking process. Marketers in the competing company need to implement strategies to distance the competing brand from the brand-harm crisis and/or the brand involved in the scandal. A sensemaking process can help to deliver the intended message—denial of involvement—to stakeholders such as consumers. As one of the simplest and common linguistic devices, which requires its audience to consider alternative possibilities (Hasson & Glucksberg, 2006), negation seems the obvious choice of vehicle for a denial message. A negation message contains two parts: a negation tag, such as “no,” “never,” or “not,” and the core concept negated (Mayo et al., 2004). Therefore, the comprehension of a negation message depends on individuals’ ability to construct and evaluate alternatives. In the context of a brand-harm crisis, consumers process information on the crisis and evaluate the innocence of the competitor (i.e. the alternative). Therefore, negation offers an effective sensemaking tool for denial, and constitutes an important topic of linguistic research.

3.2.2 Sensegiving Denial Response

According to Gioia and Chittipeddi (1991), sensegiving is “concerned with the process of

attempting to influence the meaning construction of others (i.e. organization members) toward a preferred redefinition of organizational reality” (page 442). To deliver a message of denial successfully, a sensegiving strategy must provide a clear “signature” of negation (i.e. a negation tag).

If consumers do not recollect a competing brand when they learn of a brand-harm crisis, the competitor does not experience negative spillover. As denial is pre-empted, any negation message delivered to consumers may have a boomerang effect, which implies that the target audience already believes that the brand engages in the scandal behavior after receiving the negation message (Roehm & Tybout, 2006). Under these circumstances, sensemaking is unnecessary. If spillover does occur, however, competitors need to persuade consumers to accept their denial of involvement. Roehm and Tybout (2006) cited the following real-world denial response: “Wendy’s has never and will never mislead customers about the nutritional content of any of its menu items” (page 369). Linguistically, this message of denial is a negation sentence, as it contains both a negation tag, “never,” and the core negated concept, the possibility that the company has misled or will mislead customers about the nutritional content of its products (Hasson & Glucksberg, 2006). The negation tag reflects the company’s attempt to explicitly convey denial. Therefore, this message is an example of sensegiving. A sensegiving denial response made by a competitor should involve a direct statement of negation; for instance, “Subway[®] has never used contaminated materials from unreliable suppliers.”

3.2.3 Sensehiding Denial Response

A sensehiding denial message has the same purpose as a sensegiving denial message: to persuade consumers to accept a denial. Therefore, a sensehiding message is also a denial message strategy. When negative spillover from a brand-harm crisis occurs, consumers negatively evaluate competing brands. As a result, competitors need to proactively convince consumers of their success to mitigate the adverse effects of the brand-harm crisis. In other words, the denial content of a sensehiding message is delivered by encouraging consumers to think positively about a competing brand while concealing any relationship with the brand in crisis (Vaara & Monin, 2010). Previous researchers have identified two methods of sensehiding: silencing alternative discourse and marginalizing a particular voice (Monin et al., 2012). In this study, we focus on the second method: marginalizing the expression of denial. This method removes the risk associated with negation, the linguistic device central to sensegiving. However, consumer inquiry may require competing companies to deliver further reassurance to reduce the negative-spillover effect. Is it possible to convey negation without using a negation tag?

Prior researchers have framed negation as either implicit or explicit (Evans et al., 1996). For example, to present the negation statement in the following sentence: “The number is ‘4’”, the explicit statement is “The number is not ‘4’”. Such a statement can also be implicitly expressed as follows: “The number is ‘7’”, because a number cannot be 4 and 7 in the same time. Explicit negation contains a negation tag, whereas implicit negation is in fact a form of affirmation. Inspired by prior studies, we consider affirmation the linguistic device central to sensehiding.

Companies using a sensehiding strategy do not directly negate imputations of their involvement in a crisis; instead, their denial is delivered through affirmation. Take the following sensehiding strategy: “Subway[®] only uses high-quality materials from creditable suppliers.” This type of affirmation is designed to lead consumers indirectly to the intended sense: denial of involvement in a crisis.

In conclusion, we frame the denial message strategies of competitors as either sensegiving or sensehiding, based on the wording of their denial messages (negative or affirmative, respectively). Sensegiving removes the risk that consumers will misinterpret a negation (Ahearne, Gruen, & Saxton, 2000). However, sensegiving may lead to the abovementioned boomerang effect. Sensehiding reduces the likelihood that consumers will associate a competing brand with a brand-harm crisis or the brand involved in the scandal. However, receivers may fail to comprehend the intended negation (Ahearne et al., 2000), as explained by the fusion model (Mayo et al., 2004).

According to the fusion model, individuals who receive a sensehiding message are likely to fuse the negation tag with the core concept. As a result, the negation may be cognitively transformed into an affirmation (Mayo et al., 2004). For example, the message “I am not guilty” may be transformed into its affirmative counterpart, coding “I am innocent.” Unfortunately, “not guilty” and “innocent” differ not only in degree or positivity, but are conceptually distinct (Gannon & Ostrom, 1996). When negative spillover occurs, competitors hope to persuade consumers to build an indelible impression that the competing brand or company is unconnected

to the brand-harm crisis. A claim of innocence is not sufficient to build such an impression, because it fails to associate the competing brand with the brand-harm crisis, preventing a clear denial of involvement. In contrast, using the negative version of the message - “not guilty” - may significantly reduce negative spillover. Therefore, the use of a sensehiding strategy is expected to be less effective than the use of a sensegiving strategy.

In short, the subtle differences in the message framing of sensegiving and sensehiding denial strategies likely lead to different reactions by the target audiences. In line with the theoretical arguments, we propose the following hypothesis:

H1: Sensegiving denial strategy is more effective than sensehiding denial strategy with respect to reducing negative spillover effect.

3.3 Brand Relatedness

3.3.1 Brand Relatedness and Similarity

Brand relatedness denotes the strength of association between brands (Lei et al., 2008). It is cultivated through marketing features such as a common brand name, a similar logo or packaging design, or related advertising (Aaker & Joachimsthaler, 2000; Sanchez, 2004).

Most previous researchers have addressed the relationship between a brand involved in a scandal and a competing brand in terms of similarity, not brand relatedness. For instance, Roehm and Tybout (2006) defined brand similarity as a function of the common attributes of two brands,

and argued that similar scandal-related attributes are the basis of negative spillover from a brand in crisis to competing brands. However, similar attributes only partly reflect the association between brands. Relatedness is a more inclusive construct than similarity (Farquhar & Herr, 1993). Brand relatedness is determined not only by the similarity of shared brand attributes, but also by the substitutability or complementarity of brands; that is, the extent to which they provide a common utility function or operate complementarily in the same context of usage (Aaker & Keller, 1990; Park, Milberg, & Lawson, 1991). Compared with brand similarity, brand relatedness is also a better measure of the conceptual relationship between two brands (Herr, Farquhar, & Fazio, 1996). In sum, brand relatedness more accurately represents the strength of association between brands (Morrin, 1999). Therefore, after spillover occurs (i.e. the brand involved in the scandal is perceived as similar to a competitor sharing scandal-related attributes) brand relatedness can provide further clues about the effectiveness of a competitor's denial message strategy.

3.3.2 Interaction Effect of Denial Strategy and Brand Relatedness

When a brand node (or “initial brand”) is recalled or activated by external information such as advertising, this activation spreads to related brand nodes (or “competing brands”) in the brand network. The stronger the relatedness between the initial brand and the competing brand, the greater the extent to which information on the competing brand is updated with reference to the initial brand. When the external information has a negative valence (i.e. in the wake of a brand scandal), information on both the brand in crisis and a competing brand is likely to be

updated (Ahluwalia, 2002). The extent to which updating occurs (i.e. the negative-spillover effect) depends on the strength of association between the two brands. The stronger the association between the brands, the more negative information spills over to the competing brand (Chapman & Aylesworth, 1999; Fazio, 2001).

Following a brand-harm crisis, consumers are more likely to perceive a competing brand as “guilty” when brand relatedness is high. Consumers’ doubts about the potential involvement of the competing brand become salient. Moreover, these doubts may not only be stored in the memory but may lead consumers to search for clues to possible connections with the brand-harm crisis (Aaker & Keller, 1990). As a result, consumers’ attitudes toward or beliefs about the competing brand may be affected. A disappointing response from the competitor is likely to further injure the competing brand. To mitigate this negative-spillover effect, competitors may adopt a sensegiving strategy when brand relatedness is high. The combination of a negation tag and the core concept clearly convey the competitor’s denial of involvement in the brand-harm crisis. This highly explicit negation is likely to reduce consumers’ suspicion. In contrast, the affirmation conveyed in a sensehiding message may not allow the competitor to deny explicitly its connection with the brand-harm crisis, because the message contains neither an allusion to the crisis nor a negation tag. As a result, the use of a sensegiving strategy is expected to be more effective than the use of a sensehiding strategy when brand relatedness is high.

When brand relatedness is low, negative spillover from a brand-harm crisis may still occur. However, consumers are less likely to clearly recollect the competing brand. In addition, fewer

competing-brand nodes are activated. Suspicions about the involvement of competing brands are likely to be stored only in consumers' short-term/working memory as cognitive content, and thus to vanish quickly (Chapman & Aylesworth, 1999). Consumers are also less inclined to inquire actively into the competitor's behavior. As a result, the negative spillover from a brand-harm crisis is smaller when brand relatedness is low. When little negative spillover has occurred, the negation tag and core concept contained in a sensegiving message may be less effective in reducing the negative-spillover effect. Therefore, the sensegiving strategy is expected to more effectively mitigate the negative effects of a scandal when brand relatedness is low. Nevertheless, the sensegiving strategy is still more effective than the sensehiding strategy in conditions of low brand relatedness. As in the case of high brand relatedness, the affirmation conveyed in a sensehiding message does not activate the connection between the competing brand and the brand-harm crisis. Therefore, consumers may not relate the positive information contained in the message to the brand-harm crisis. As a result, their attitudes toward or beliefs about the competing brand may deteriorate on subsequent exposure to the brand-harm crisis, because the sensehiding message has failed to ensure that the competitor's denial of involvement is retained in consumers' long-term memory.

In general, we expect sensegiving to be more effective than sensehiding in reducing the negative-spillover effect. We further postulate that the interaction between brand relatedness and denial strategy affects the extent to which each strategy is capable of mitigating negative spillover. Specifically, the difference between the effect of a sensegiving message and that of a

sensehiding message is expected to be greater when brand relatedness is high, compared with the low brand relatedness condition. In other words, when brand relatedness is low, the sensegiving message is only slightly more effective than the sensehiding message in reducing the negative-spillover effect; when brand relatedness is high, the effect of the sensegiving message is much greater than that of the sensehiding message. Based on this reasoning, we propose the following hypothesis:

H2: The differential effect of sensegiving and sensehiding denial strategies on reducing negative spillover effect is greater when brand relatedness is higher (vs. low).

3.3.3 Interaction between Denial Strategy, Brand Relatedness, and Thinking Style

In addition to studies of brand association, previous researchers have investigated the effects of factors such as the nature of the brand scandal (Dawar & Lei, 2009), consumer characteristics (Ahluwalia et al., 2000), and the type of information available (Dutta & Pullig, 2011) on consumers' processing of a brand crisis and the response of the company in crisis. In this study, we investigate the influence of thinking style, an individual characteristic, on consumers' processing of a competitor's denial message.

Nisbett and his colleagues examined the effects of thinking style on various cognitive domains, such as attention (Chua, Boland, & Nisbett, 2005; Masuda & Nisbett, 2001), attribution (I. Choi & Nisbett, 1998), memory (Masuda & Nisbett, 2001), logical reasoning (Norenzayan, Smith, Kim, & Nisbett, 2002), and categorization (Ji, Nisbett, & Su, 2001). In addition, cultural

differences in the cognitive outcomes of different styles of thinking have been explored (Choi, Koo, & Choi, 2007). These findings provide initial theoretical support for the influence of individual thinking styles on the effectiveness of a denial message.

(1) Thinking Style and Brand-harm Crisis

Two main thinking styles have been identified: analytical and holistic. Monga and John (2008) found that thinking styles play different roles in alleviating the negative effect of brand-harm crisis on the brand involved, because individuals with analytical and holistic thinking styles perform differently in the attribution domain (Choi et al., 1998). Holistic thinkers tend to prioritize context-based explanations, and are thus more likely to attribute a crisis to external causes. Analytical thinkers are less likely to consider contextual factors, and thus are more likely to attribute a crisis to internal causes. Holistic and analytical thinkers also perform differently in the domains of attention location and formal logic, and are thus likely to process a competitor's denial message differently (Nisbett, et.al, 2001).

(2) Brand Relatedness and Individual Thinking Styles

The holistic thinking style seems to be common among East Asians. Holistic thinkers tend to focus on the relationships between objects and the environment to which objects belong (Masuda & Nisbett, 2001). Compared with analytical thinkers, holistic thinkers are more likely to see the "whole picture" than a single component, and are less able to separate a single object from the field in which the object is embedded. Individuals with a holistic thinking style are good at identifying relationships between objects (Ji, Peng, & Nisbett, 2000). In contrast,

analytical thinkers pay more attention to an object than to the category to which it belongs. The analytical thinking style is more common among Westerners, who tend to focus on individual components rather than the whole picture. In addition, analytical thinkers find it more difficult to identify relationships between objects (Ji et al., 2000). They are thus less likely to make connections between a brand-harm crisis, the brand in crisis, and a competing brand. Holistic thinkers are generally more acutely aware of the relationship between a brand in crisis and a competing brand. As these two types of thinking style lead individuals to perform differently in the attention domain, they affect consumers' processing of competitors' denial messages. Even when brand relatedness is low, holistic thinkers are more likely to identify relationships between brands than analytical thinkers are. The stronger the perceived association between two brands, the greater the negative spillover. In contrast, analytical thinkers are more likely to regard the brand in crisis and the competing brand as separate entities. Therefore, brand-harm crisis and denial message strategies have little influence on their impressions of competing brands. In short, holistic thinkers are expected to produce more negative initial evaluations of competing brands. After exposure to the same denial strategy, the differential effects of holistic and analytic thinking styles interact with the effects of brand relatedness.

If a brand-harm crisis occurs when brand relatedness is high, consumers' vivid memories of the affected brand lead to rapid connections between brands due to "spreading activation" (Herr et al., 1996). Analytical thinkers and holistic thinkers perceive a similar level of brand relatedness, due to the strong association between brands and the considerable negative spillover.

In these circumstances, therefore, the differential effects of thinking style are no longer caused by differences in attention allocation but by different approaches to logic. Previous research has shown that holistic thinkers seldom use formal logic (I. Choi et al., 2007). Instead, they rely heavily on “dialectical” reasoning (Nisbett et al., 2001). The holistic thinking style is characterized by contrast and conflict. Holistic thinkers tend to seek a middle ground between different, even contradictory, evaluations. Therefore, consumers with a holistic thinking style usually process contradictory information through dialectical reasoning and compromise. In contrast, analytical thinkers do not hold negative and positive opinions at the same time. They use existing rules or formal logic to interpret phenomena (Nisbett et al., 2001). Therefore, analytical consumers choose information that either supports or indicts a brand.

When negative spillover from a brand-harm crisis occurs, consumers gain a negative impression of a competing brand by connecting the brand in crisis with the competing brand. The negation contained in a sensegiving message can help to weaken the links made between the brand-harm crisis, the brand involved, and competing brands, and thus encourage consumers to view the competitor more positively. This negation opposes the perception of the competitor as “guilty” elicited by negative spillover. Therefore, a sensegiving message delivered by a competing brand is less likely to reduce the negative-spillover effect among analytical thinkers than among holistic thinkers, as the latter are better able to accommodate contradictory information. As holistic thinkers accept that the judgments of “guilty” and “not guilty” can co-exist, and seek to find a compromise between these positions, the negative-spillover effect is

reduced by sensegiving. In contrast, analytical thinkers evaluate the competing brand as either “guilty” or “not guilty,” as they cannot hold positive and negative information at the same time. According to negative-bias theory, negative information has greater diagnosticity than positive information (Fiske, 1980; Wojciszke, Brycz, & Borkenau, 1993). Additionally, consumers receive negative information concerning the competitor’s involvement in the crisis before positive information is delivered in the sensegiving message. In line with the primacy-effect theory, analytical thinkers are more likely to retain the negative information on the competing brand since people recall the first items more frequently than the later items (Levin & Gaeth, 1988). Compared with holistic thinkers, analytical thinkers are expected to form more negative evaluations of the competing brand after receiving a sensegiving message. Similarly, sensehiding messages offer positive information on the competing brand in the form of an affirmation. Due to the primacy effect, analytic thinkers are again likely to prioritize the negative information.

In sum, individual thinking styles interact with the effects of brand relatedness on consumers’ reactions to the two denial message strategies. Specifically, we expect the interaction effects between brand relatedness and the two types of denial message to be less pronounced among analytical thinkers than among holistic thinkers. Therefore, we propose the following hypothesis.

H3: The interaction effect of brand relatedness and denial strategy (sensegiving vs. sensehiding) on negative spillover is influenced by individual thinking styles, such that

the interaction effect between a denial message strategy and brand relatedness is greater among analytical (holistic) thinkers than among holistic (analytical) thinkers when brand relatedness is low (high).

4. RESEARCH METHODS

4.1 Pretests

A series of pretests were conducted to determine what materials were suitable, what stimuli were related to the scandalized brand, and the key competing brands in the main studies. The materials for each experiment included a scandalized brand, competing brand(s) with different levels of brand relatedness, and a brand-harm crisis scenario, which could cause negative spillover to the competing brand(s).

4.1.1 Pretest 1

The purpose of the first pretest was to find the proper scandalized brand for each experiment. Previous studies have shown that a brand-harm crisis is likely to spillover when the scandalized brand is typical of the product category (Roehm & Tybout, 2006). Hence, the purpose of Pretest 1 was to find out the most typical brand in each category.

Undergraduate students of a Southern University in China were the participants in this pretest. The participants were asked to write down four brands each for the toothpaste, fast food, and sports shoe categories. According to previous research, a typical brand should be representative of the category (Roehm & Tybout, 2006). Therefore, we asked the participants to rank the four brands based on the extent to which they represented the category where they belonged. On a four-point scale, the number “1” referred to the least typical and the number “4” indicated the most typical. The number was used as weight of each brand. Based on the

frequency of number (i.e. the weight) and weight of each brand, we selected the brand with the highest value as the scandalized brand for each category and the brands with the highest frequency in the third question as the competing brands of the scandalized brand.

Forty-two undergraduate students from a Chinese university participated in the first pretest, related to the sports shoe category. Eighty-one percent of the participants chose Nike as the brand that most represented the category. Forty-five undergraduate students were recruited for the pretest in the fast food category. Eighty-nine percent of the participants selected McDonald's as the brand most representative of the fast food category. Forty-five undergraduate students participated in the pretest for the toothpaste category. Thirty-seven percent of them rated Crest the most typical (4) and 34% rated Colgate the most typical (4). However, we chose Colgate as the scandalized brand due to concern over the manipulation of brand relatedness.

To summarize, as a result of pretest 1, we used Nike as the scandalized brand in the sports shoe category; we used McDonald's as the scandalized brand in the fast food category; and we used Colgate as the scandalized brand in the toothpaste category.

4.1.2 Pretest 2

The purpose of the second pretest was to explore the brand relatedness of the scandalized brand and its close competing brands. We looked for two pairs of brands in the sports shoe category: one with a high level of brand relatedness, another with a low level of brand relatedness. For the toothpaste category, we tested the manipulation of brand relatedness between the scandalized brand and its competing brand.

Pretest 2a

A total of 74 Chinese undergraduate students (different from the ones of pretest 1) participated in pretest 2a. This pretest used a computer-based response time sequential priming method to collect data. This method is commonly used to measure response latency, an indicator of the strength of an association between two brands. Research in both social psychology and consumer research have used response latency to measure the strength of associations in a variety of contexts, such as between products and brands (Herr, et al., 1996), between nodes and brand (Till, Baack, & Waterman, 2011), between two sub-brands, or between a parent brand and a sub-brand (Lei, et al., 2008).

E-Prime was the software used to conduct this pretest. To determine brand relatedness between the scandalized brand and the competing brand, the participants were first exposed to the scandalized brand, for instance, McDonald's, for 750 milliseconds (referred to as "stimulus onset asynchrony"). Then, the brand was replaced with one of the competing brands, such as KFC, Subway, Pizza Hut or Burger King. The participants were instructed to respond to the question of "relatedness" between the two brands by pressing, as quickly and accurately as possible, either the "M" key (yes) or the "Z" key (no). The reverse pattern of keys was used for left-handed participants. The order in which the competing brand and the scandalized brands were presented was randomized to reduce bias resulting from association chaining or order effects (Till, et al., 2011). We also put in some filler questions, which asked the brand relatedness between brands from two different categories. All of the questions were provided in a

randomized order as well. Only “yes” responses were analyzed, because the participants who answered the “relatedness” question with “no” may not have associated the scandalized brand with the competing brand. Response latency was measured by calculating the time the participants took to provide an answer. We eventually obtained the results of brand relatedness for several pairs of brands in the sports shoe category.

Based on the value of brand relatedness and in consideration of the commonalities between the two brands, in the sports shoe category, we found that the brand relatedness between Nike and Adidas was high, while the brand relatedness between Nike and New Balance was low ($\text{Mean}_{\text{New Balance}}=1059.6\text{ms}$ versus $\text{Mean}_{\text{Adidas}}=810.1\text{ms}$; $t_{75}=3.41$, $p < .01$). In the fast food category, the high brand relatedness pair was McDonald’s and KFC. The low brand relatedness pair was McDonald’s and Burger King ($\text{Mean}_{\text{Burger King}}=1118.6\text{ ms}$ versus $\text{Mean}_{\text{KFC}}=741.0\text{ ms}$; $t_{77}=4.15$, $p < .001$).

Pretest 2b

In the toothpaste category, as stated above, we used Colgate as the scandalized brand. Another toothpaste brand Darlie, a division of Hawley & Hazel Chemical Company, was used as the competing brand. The reason why only one competing brand is used in the toothpaste category is brand relatedness was manipulated in the main study. The main reason for this was that the Colgate-Palmolive Company had acquired the Hawley & Hazel Chemical Company in 1985. However, this was not widely known to consumers because Darlie products had not been marketed through Colgate-Palmolive. We manipulated the brand relatedness between Colgate

and Darlie using this information. Forty-four students participated in the pretest for the toothpaste category. Half of the participants were informed that Colgate-Palmolive had acquired Hawley & Hazel in 1985 before being asked to rate the brand relatedness between the two companies. The remaining participants rated the brand relatedness without knowing about this relationship. In the pretest of the toothpaste category, we also used computer-assisted sequential priming to measure “brand relatedness”. However, we used a seven-point scale (1= “not strongly related”; 7= “strongly related”), instead of “yes” or “no” questions (Chapman & Aylesworth, 1999). The other parts of the pretest in the toothpaste category were identical with the pretest for the fast food category and sports shoe category.

The results verified the effectiveness of brand manipulation relatedness. The fact that Colgate-Palmolive had acquired the Hawley & Hazel Chemical Company, indeed, increased the brand relatedness between Colgate and Darlie (4.64 versus 5.64; $t_{42}=-2.24$, $p< .05$).

To sum up all of pretest 2, we used Colgate as the scandalized brand and Darlie as the competing brand in the toothpaste category. In the sports shoe category, Nike and Adidas had a high level of brand relatedness, while Nike and New Balance had a low level of brand relatedness. The high brand relatedness pair in the fast food category was McDonald’s and KFC. The low brand relatedness pair was McDonald’s and Burger King.

4.1.3 Pretest 3

The purpose of the third pretest was to verify the existence of spillover effect from a brand-harm crisis to other brands in the same product category. The students who participated in

the third pretest were divided into two groups. The first group shared their attitudes toward or beliefs about the competing brands (Darlie, KFC and New Balance). The other group of students rated questions about the second competing brand in each product category (Burger King and Adidas). The sample size of each group was around 30. The participants were different from those of pretests.

Each participant examined the spillover effect from three brand-harm crisis scenarios to three (or two) competing brands (one scandal story and one competing brand in each product category). We used the fast food category, where the scandalized brand was McDonald's, as an example. The brand-harm crisis of McDonald's related to how McDonald's processed food without undergoing the necessary procedures. First, the participants shared their brand attitudes toward and brand beliefs about KFC. These values became the benchmarks for negative spillover effect. The questions about brand attitude were anchored by a 7-point scale ("negative/positive," "bad/good," "unfavorable/favorable") (Lei, et al., 2008). The belief questions were, "At times, KFC processes food without necessary procedures," "KFC sometimes processes food without necessary procedures" and "KFC occasionally processes food without necessary procedures" (a 7-point scale "disagree/agree") (Roehm & Tybout, 2006). After one week, the participants read the scandal story containing the brand-harm crisis of McDonald's in the second session. All of the participants, again, expressed their beliefs about and attitudes toward KFC. The scales were the same as those used in the first session.

We measured the distances between the benchmark values and the new attitude or belief

values. Spillover occurs if the distance value becomes negative. Nike's story was about how Nike treated Chinese consumers with a "double standard." Colgate's brand-harm crisis was that its toothpaste products contained Triclosan, which has been claimed to cause cancer. All brand crisis stories came from news happening in real world. The results from the t-test about the difference between pre-crisis and post crises were the following: Adidas (brand attitude: 5.08 vs. 4.43, $t_{29}=2.62$, $p<0.05$; brand belief: 3.56 vs.4.19, $t_{29}=-3.42$, $p <0.05$), New Balance (brand attitude: 5.42 vs. 5.08, $t_{36}=2.45$, $p <0.01$; brand belief: 4.23 vs.4.52, $t_{38}=-1.77$, $p <0.1$), KFC (brand attitude: 4.48 vs. 4.19, $t_{35}=2.48$, $p <0.05$; brand belief: 3.39 vs.4.61, $t_{35}=-5.35$, $p <0.001$), Burger King (brand attitude: 4.56 vs. 4.06, $t_{27}=3.66$, $p <0.01$; brand belief: 3.60 vs. 4.20, $t_{28}=-2.23$, $p <0.5$) and Darlie (brand attitude: 4.38 vs. 4.12, $t_{31}=2.67$, $p <0.01$; brand belief: 3.21 vs. 3.67, $t_{31}=-1.33$, $p <0.5$).

4.2 Study 1

The purpose of this study was to examine the main effects of both sensegiving and sensehiding denial messages. Given the purpose of the study, we chose compliance intention as the dependent variable (Kronrod, Grinstein, & Wathieu, 2012). Here, compliance intention refers to a consumer's tendency to be persuaded by the denial message that the competing brand was not involved in the brand-harm crisis. We expected that there would be differential effects with respect to the two types of denial response messages, regardless of the level of brand relatedness.

4.2.1 Sample and Design

A 2 (denial response message: sensegiving vs. sensehiding) \times 2 (brand relatedness: low vs. high) between-participants experimental design was conducted. One hundred and forty-seven students from a Chinese university participated in this study. 57.7% of the participants were female, with an average age of 25. The participants were randomly assigned to one of the four experimental groups.

4.2.2 Experimental Stimuli

Colgate was used as the scandalized brand based on the results of the pretests. Darlie was the competing brand. We used a newspaper report format about a product-harm crisis involving Colgate as the external information prime. Previous research had used this “newspaper like” method in a brand-harm crisis study (Ahluwalia, et al., 2000). By using such a method, the participants were exposed to a scenario in the form of a newspaper article and their reactions were measured by a questionnaire (Stammerjohan, Wood, Chang, & Thorson, 2005). The brand-harm crisis story had been tested in the pretest to ensure the existence of the negative spillover effect.

4.2.3 Experimental Procedure

The participants took part in the study by answering an online brand evaluation questionnaire, which was developed utilizing a Chinese survey website. First, all the participants were asked to measure the perceived severity, locus of attribution, ownership, and usage frequency, as these were the control variables. The perceived severity is defined as the severity of

the brand-harm crisis (Laufer, Gillespie, McBride & Gonzalez, 2005). The locus of attribution reflects the blame assignment (Coombs & Holladay, 1996). There was also a question about brand relatedness, for the purpose of checking manipulation (Lei, et al., 2008). After this, the participants were exposed to a crisis story about Colgate, followed by a question related to the perceived severity of the crisis. Participants were presented with the denial message from Darlie: either the sensegiving denial message or the sensehiding denial message. The sensegiving denial message began with “Our toothpaste products contain no Triclosan, and we would definitely not add this component to our product line.” The sensehiding message was “We have noticed this issue. We guarantee the safety of our products by following the updated regulations and recent research.” Then, the participants answered the questions related to the measures of compliance intention (Kronrod, et al., 2012). At the end, the participants provided demographic information. Please refer Appendix 1 as the stimulus story.

4.2.4 Dependent Measure

Compliance intention was the dependent variable in this experiment. We adapted four measurement items from previous research (Kronrod, et al., 2012). Following the exposure of the manipulated response message, the participants were instructed to answer the following questions with a seven-point scale: how plausible is the response that Darlie provides (1 = not at all plausible and 7 =very plausible); how certain is the response that Darlie provides (1 = not certain at all and 7 =very certain); how sure are you that you believe that the products of Darlie contain Triclosan (1 = not sure at all and 7 =quite sure); what is the chance that you will believe

that the products of Darlie contain Triclosan (1 = very low chance and 7 =very high chance) (Kronrod et al., 2012). A composite index of the four items on the scale was used in the analysis ($\alpha=0.84$).

4.2.5 Results

Manipulation check. Seven-point scales were used to assess the control and manipulation check variables. Brand relatedness was evaluated for the manipulation check. An independent t-test revealed that the participants perceived higher brand relatedness between Colgate and Darlie when they were told the parent company of Darlie had been acquired by Colgate than when they were not ($M_{low}=1.89$ vs. $M_{high}=4.80$; $p < .001$). The results of this independent t-test suggested that the brand relatedness manipulation was effective.

Compliance intention. First, we hypothesized that the sensegiving message would reduce any negative spillover effect more than the sensehiding message would (H1). The results of one-way ANOVA showed that there was a significant main effect for the denial response strategy. ($M_{sensegiving}=3.92$ vs. $M_{sensehiding}=3.21$; $F_{(1, 147)}=27.37$; $p < .001$). Specifically, the compliance intention of the sensegiving denial message was significantly higher than it was for the sensehiding denial message. Therefore, H1 was supported.

We further explored the two-way interaction between denial messages and brand relatedness as stated in the second hypothesis. When brand relatedness was high, the difference between the compliance intention of the sensehiding message and the sensehiding message was greater than it was with the low brand relatedness. The two-way interaction between the response strategy and

brand relatedness on reducing the spillover effect was statistically significant ($F_{(3, 145)}=9.087$; $p<.01$). To further understand the direction of this two-way interaction, we conducted an additional analysis. The results showed that there was no significant difference in the participants' responses to the two types of denial messages at the high level of brand relatedness ($F_{(1, 73)}=1.81$; $p>.10$; $M_{\text{sensegiving}}=3.87$ vs. $M_{\text{sensehiding}}= 3.60$). However, we found a significant difference at the low level of brand relatedness, indicating that the sensegiving message was associated with greater compliance intention than the sensehiding response strategy was ($F_{(1, 74)}=12.48$; $p<.001$; $M_{\text{sensegiving}}=3.99$ vs. $M_{\text{sensehiding}}=2.89$). These results conflict with the direction of the interaction stated in the second hypothesis, which will be explained later. Please refer to Table 1 and Figure 1.

Control variables. Apart from the independent and dependent variables, we also measured some key control variables, which included perceived severity ($F=.03$, $p > .10$), locus of attribution ($F=.06$, $p>.10$), ownership ($F=.18$, $p >.10$), and product usage ($F=.867$, $p >.10$). The results showed that these variables had no different effect on compliance intention across the four conditions. Such variables were removed from the following analysis.

4.2.6 Discussion

The first purpose of Study 1 was to examine the differential effects of the two types of denial message strategies on negative spillover to competing brands. A performance-based brand harm-crisis involving the product category of toothpaste was mimicked as a hypothetical scenario. In line with previous research (Kronrod et al., 2012), we chose compliance intention as

the dependent variable in this study. We found that the sensegiving message strategy was more effective than the sensehiding strategy in reducing negative spillover. These results are in accordance with what we hypothesized. Thus, Study 1 provided baseline evidence to support further exploration of denial response strategies.

The second purpose of Study 1 was to explore the moderating role that brand relatedness plays in the consumers' processing of a competitor's denial response message. Specifically, we examined the interaction effect between brand relatedness and two types of denial response strategies on compliance intention. The results of this interaction effect were significant, indicating that brand relatedness could serve as a contingent condition to a response strategy's effect on compliance intention. However, we hypothesized that the difference between the effects of the sensegiving and sensehiding strategies would tend to be greater when brand relatedness was high than when it was low, but this was not supported. On the contrary, the findings showed that when brand relatedness was low, the difference between the compliance intentions of the two strategies was greater than when brand relatedness was high. One possible explanation for this could be related to the dependent variable, compliance intention, which largely measures the consumers' belief in the response message, not to capture the consumers' attitudinal and behavioral reactions to the competing brand. Savings-in-relearning effect can be used to interpret the underlying mechanism of the opposite direction (Todorov & Uleman, 2003). Such effects suggested that individuals could link the results from encoding of a behavior description to the mental representation of the actor. Put such effect in this study, consumers code the message

based on the different framings of the negation. Sensegiving message, due to containing a negation tag, is highly likely to be perceived as denial, further connected with the competitor by consumers. Sensehiding message, on the other hand, describe the “innocent” behavior implicitly. When consumers answer the compliance intention about a specific behavior description (i.e. denial message), the saving-in-relearning of sensegiving message activates the spontaneous linkage between a denial message and the competitor. Comparing with the one of sensegiving message, the linkage between a denial message and the competitor is not strong, relatively. However, when brand relatedness is high, the association between scandalized brand and competing brand is strong enough for consumers to disconnect the “innocent” impression with competing brand, even after encoding of the behavior description. Alternatively, the level of brand relatedness might not have been interpreted in the way it was intended. For example, in the hypothetical example, individuals who were aware of a brand acquisition (i.e., a competing brand) by the Colgate company did not necessarily feel that the two brands were related to each other, or at least, their relatedness was not built on common features of the products (Lei et al., 2008). In the following studies, these shortcomings were addressed by adding dependent variables and better controls over brand relatedness.

The majority of research in the brand harm crisis literature has used consumer reaction to a brand as a dependent variable, for example, brand belief (Roehm & Tybout, 2006), brand attitude (Ahluwalia et al., 2000), and brand evaluation (Lei et al., 2008). Therefore, it made sense to gauge other dependent variables to see how the pattern of interaction effects might change. In the

next experimental study, we used a different product category with dependent variables presumed to be the most relevant to consumers' attitudinal and behavioral responses to the competing brand.

4.3 Study 2

The purpose of Study 2 was to further test the differential effects of sensegiving versus sensehiding denial messages (H1), and to determine how such effects interact with brand relatedness to reduce negative spillover to competing brands (H2). In this study, brand evaluation was used as the key dependent variable, in addition to the previous dependent variable of compliance intention.

For the purpose of generalizability, a new product category, fast food, was used. To remedy the limitation on the brand relatedness manipulation from Study 1, in Study 2 we controlled the levels of brand relatedness using an improved method. Moreover, we added the new baseline condition of response strategy, which is similar to the silence strategy used by competitors (Roehm & Tybout, 2006). According to Roehm and Tybout, silence from a competitor can be a viable strategy for lessening negative spillover from a brand-harm crisis. Thus, we considered the silence strategy as a baseline for verifying the effects of the two response strategies that are central to our research interests.

4.3.1 Participants and Design

A 3 (denial response messages: sensegiving vs. sensehiding vs. silence) × 2 (brand

relatedness: low vs. high) between-subjects experimental design was conducted. Two hundred and seven different participants from a Chinese university were randomly assigned to one of the six experimental conditions. 49.8% of the participants were female and the average age of the participants was 26.

4.3.2 Experimental Stimuli

Based on the results of the pretests, McDonald's was used as the scandalized brand. KFC had high brand relatedness with McDonald's and Burger King had low brand relatedness. We used a news report of a product-harm crisis concerning McDonald's as the external information prime. The brand crisis scenario had been assessed in the pretest to ensure the existence of negative spillover effect.

4.3.3 Experimental Conditions and Manipulation

Online questionnaires were also adopted for this experiment. Additionally, this study was conducted in two separate periods to improve the internal validity of the results. In the first week, all of the participants were asked to measure category familiarity and brand commitment with regard to the scandalized brand. Following that, the participants provided a brand evaluation of the scandalized brand, McDonald's, and the two competing brands, KFC and Burger King. These measures served as pre-crisis baseline brand evaluations. One week later, these participants were randomly assigned to one of the six conditions. They received the second questionnaire, which started with a crisis story about McDonald's, followed by questions related to the perceived severity of the crisis, brand relatedness, ownership, and usage frequency. The crisis scenario was

manipulated as Appendix 2.

Following the delivery of this message, the participants were presented with denial manipulations from one competing brand: a sensegiving denial message or a sensehiding denial message from either KFC or Burger King. Using KFC as an example, the sensegiving denial message was, “KFC has never and will never process food without following the necessary procedures.” The sensehiding message was, “KFC always provides consumers with quality food and cautious processing.” The participants then answered measurement questions regarding compliance intention and brand evaluation for the competing brand. Finally, the participants provided demographic information and were debriefed on the true purpose of the study.

4.3.4 Dependent Measures

We introduced a second dependent variable in this study, which measured change in the brand evaluation of the competing brand. Previous research had used the change of brand attitude, brand belief, or brand evaluation as the dependent variable in negative brand publicity research (Ahluwalia, et al., 2000; Puzakova, Kwak, & Rocereto, 2013) or in negative spillover studies (Lei, et al., 2008; Roehm & Tybout, 2006). We used brand evaluation as a dependent variable to explore the consumers’ response to the brand scandal and the competing brand’s response. The brand evaluation included a measurement with five dimensions on a seven-point scale: brand attitude (“good/bad,” “favorable/unfavorable,” “negative/positive”), brand trust (“not at all trustworthy/very trustworthy,” “not at all reliable/very reliable,” “not at all dependable/very dependable”), perceived quality (“low quality/high quality”), brand purchase

likelihood (“not at all likely/very likely”), and brand loyalty (“not at all satisfied/very satisfied,” “not at all likely to recommend/very likely to recommend”). All of the items were adapted from previous scales (Ahluwalia, et al., 2000; Dawar & Pillutla, 2000; Lei, et al., 2008) and were measured by seven-point semantic differential scales (e.g.: 1 =not good at all and 7 = very good). The reliability of these scales has been widely acknowledged ($\alpha=0.87$). In the first week, the mean of the ten-item brand evaluation scale served as the baseline. In the second week, the mean of this composited brand evaluation measurement was computed as well. The difference between these two means served as the value of the second dependent variable. More specifically, the difference was calculated by subtracting the second brand evaluation mean from the baseline (Roehm & Tybout, 2006). Compliance intention was the initial dependent variable. The measures of this variable were the same as those described in Study 1.

4.3.5 Results

Manipulation check. A seven-point scale measured brand relatedness for the purpose of the manipulation check. As expected, there was a significant difference in the levels of brand relatedness ($M_{\text{low}}=4.24$ vs. $M_{\text{high}}=5.71$; $p<.001$). Therefore, the manipulation was deemed successful.

Compliance intention. Firstly, we explored the compliance intention for the two kinds of response messages. We only examined four of the six conditions because compliance intention was not applicable to the silence strategy. We predicted that the spillover effect would be less pronounced when the sensegiving denial message was given, than when the sensehiding denial

message was given. In other words, the compliance intention of the sensegiving message was expected to be larger than the sensehiding message. The results of one-way ANOVA showed that the difference between the compliance intentions of the two kinds of response strategies was significant ($M_{\text{sensegiving}}=3.44$, $M_{\text{sensehiding}}=2.97$; $F_{(1,134)}=6.78$; $p<.05$). Secondly, we explored the effect from a two-way interaction between the denial response strategy and brand relatedness on the compliance intention. The results of ANOVA showed that the difference between the compliance intention of the sensehiding message and the sensegiving message was significantly different when brand relatedness varied ($F_{(3,132)}=4.07$; $p<.05$). Similar to the results of Study 1, the interaction effect on compliance intention did exist. Additional analysis was conducted to achieve a better understanding of the interaction effect.

When brand relatedness is high, the difference in the compliance intention of the two kinds of response strategies should be greater than when brand relatedness is low. The results of simple effect revealed that only low brand relatedness interacted with the two kinds of response strategies ($M_{\text{sensegiving}}=3.57$, $M_{\text{sensehiding}}=2.73$; $F_{(1,65)}=10.79$; $p<.05$), while high brand relatedness did not ($M_{\text{sensegiving}}=3.31$, $M_{\text{sensehiding}}=3.19$; $F_{(1,67)}=.213$; $p>.10$). Thus, the pattern of the interaction was the same as observed in Study 1, contrary to what we had expected in H1. Please refer to Table 2 and Figure 2.

Brand evaluation. Given the contradictory finding above, we looked into changes in brand evaluation as the second dependent variable. More specifically, we compared the brand evaluation of the competing brand before and after the scandal story. The differential score

served as the value of the dependent variable. For the first hypothesis, we predicted that the sensegiving strategy would reduce negative spillover effect more than the sensehiding strategy. The results of one-way ANOVA showed that when the sensegiving strategy was used, the difference was less than when the sensehiding strategy was used ($M_{\text{sensegiving}} = .12$, $M_{\text{sensehiding}} = -.25$, $M_{\text{silence}} = -.26$; $F_{(2,206)} = 3.29$; $p < .05$). H1 was therefore supported. Turning to the second hypothesis, which referred to the interaction effect involving brand relatedness and response strategies on changes in brand evaluation, the results of an ANOVA revealed that such an effect was statistically significant ($F_{(5,201)} = 2.67$; $p = .07 < .10$). Thus, H2 was also supported. In addition, a one sample t-test showed that two of the three pairs of response strategies were significantly different from each other, as brand evaluation changed when brand relatedness was high ($M_{\text{sensegiving}} = -0.09$, $M_{\text{sensehiding}} = -.79$; $F_{(1, 68)} = 2.06$; $p < .01$; $M_{\text{sensegiving}} = -0.09$, $M_{\text{silence}} = -.66$; $F_{(1,69)} = 1.16$; $p < .01$). The exception to this was the results of sensehiding strategy and silence strategy, which were not significantly different when brand relatedness was high ($M_{\text{sensehiding}} = -.79$, $M_{\text{silence}} = -.66$; $F_{(1,68)} = .55$; $p > .10$). The three response strategies were not statistically different from each other when brand relatedness was low ($M_{\text{sensegiving}} = .32$, $M_{\text{sensehiding}} = .33$, $M_{\text{silence}} = .15$; $F_{(2,99)} = .51$; $p > .1$). The results suggest that the pattern of the interaction effect was in line with our hypothesis. H2 was supported. Please refer to Table 3 and Figure 3 for details.

Controls Perceived severity, category familiarity, brand commitment toward scandalized brand, locus of attribution, ownership, and usage frequency were controlled in Study 2 because of their potential confounding effects on the dependent variable. The results from an ANOVA

indicated that these variables had no significant influence on the dependent variables we were interested in. (Perceived severity ($F_{(1,200)}=.20$; $p>.10$), category familiarity ($F_{(1,200)}=.20$; $p>.10$), brand commitment towards scandalized brand ($F_{(1,200)}=1.10$; $p>.10$), ownership ($F_{(1,200)}=.77$; $p>.10$), and usage frequency ($F_{(1,200)}=1.01$; $p>.10$).

4.3.6 Discussion

The purpose of Study 2 was to further validate the hypothesized effects of different types of denial response messages on negative spillover. Similar to the findings of Study 1, the sensegiving strategy received better compliance than the sensehiding strategy. Meanwhile, brand relatedness did interact with response strategy on compliance intention, with the expected direction as hypothesized.

As far as the dependent variable, brand evaluation, was concerned, both H1 and H2 were fully supported by the findings in Study 2. The change in brand evaluation was smaller when a sensegiving denial strategy was provided, compared to when a sensehiding denial strategy was provided. These results are in line with what we expected in H1. A significant interaction effect between brand relatedness and response strategy was also observed, consistent with H2. More importantly, the three types of response strategies had significantly differential effects on brand evaluation only when brand relatedness was high. Specifically, the sensegiving strategy differed from the other two strategies while the sensehiding strategy and silence strategy did not differ from each other statistically. Moreover, when brand relatedness was low, there was no difference in effect on change in brand evaluation. Therefore, the level of brand relatedness appeared to

play a critical role in understanding the effectiveness of denial message strategies for reducing negative spillover.

In Study 3. We further aimed to examine consumers' reaction after being exposed to a brand crisis and a particular denial response message. In addition, we introduced a new experimental factor related to individual thinking styles. Previous studies have indicated that analytical and holistic thinkers tend to respond differently to brand harm crisis (Monga & John, 2008). As shown in our third hypothesis, we expected the interaction effect between denial response messages and brand relatedness (H2) would tend to vary with individual thinking styles. Here a three-way interaction was expected (H3). Therefore, Study 3 was designed to explore the hypothesized three-way interaction effect, and in so doing, provide further evidence with regard to the results reported earlier. Given the focus of individual thinking styles and the need for generalizability, we used a different kind of brand harm crisis scenario. Specifically, apart from the performance-based brand harm crisis, previous research had identified what has been described as a value-based crisis, referring to scandals, unethical conduct and public disclosures (Dutta & Pullig, 2011). In addition, the results of Study 2 show that there are no statistically significant differences between sensehiding and silence strategies in both levels of brand relatedness. When brand relatedness is low, there are no different effect from sensegiving strategy and silence strategy on consumers' reaction either. In this following study, we wanted to further examine the comparison among sensegiving, sensehiding, and silence strategy to get a better understating about the silence strategy.

4.4 Study 3

In the marketplace, only two types of brand crises have been studied in previous research (Dutta & Pullig, 2011). Thus, there was an important need to address whether our arguments could be extended to a different crisis context. In this experimental design, the brand-harm crisis scenario was changed to further this objective. The product category, sports shoes, was used for this study. Similar to Study 2, we manipulated the denial response messages and controlled for levels of brand relatedness between the scandalized brand and the competing brand. Individual thinking styles were measured by following previous research (I. Choi, et al., 2007). Meanwhile, we continued to use silence strategy as the baseline for this study.

4.4.1 Sample and Design

A 3 (sensegiving vs. sensehiding vs. silence) \times 2 (brand relatedness: low vs. high) \times 2 (thinking style: holistic vs. analytic) design was used to test our predictions. A sample of 244 participants was recruited for the study. 48% of the participants were female and the average of the age was 25. Both denial message and brand relatedness are manipulated and the thinking style is measured.

4.4.2 Experimental Stimuli

In this study, Nike was the scandalized brand. Based on our pretests, Adidas was the competing brand with high brand relatedness and New Balance was the competing brand with low brand relatedness. The brand-harm crisis of Nike was that Nike misled consumers about the

technology used in its shoes. A “newspaper like” story was also created for this study and had been tested in the pretest for its spillover effect.

4.4.3 Experimental Conditions and Manipulation

As in Study 2, the dependent variable, change in brand evaluation, was measured in two separate periods, one week apart. In the first week, all of the participants were asked about category familiarity. They were then asked to provide brand evaluations for brands in the sports shoe category. The brand evaluations in the first week served as the baseline for measuring the change in brand evaluation after the participants had been exposed to the brand-harm crisis one week later.

In the second week, the participants were randomly assigned to one of the six experimental conditions. They then read a story about Nike’s brand-harm crisis, which was described as the Appendix 3.

After reading the story, the participants read an article, containing a denial response message (sensegiving or sensehiding) from either Adidas or New Balance. In the case of Adidas, the sensegiving message was, “Adidas has never misled consumers about the technology used in our products”. In contrast, the sensehiding message was, “Adidas will always be honest with our consumers”. Participants then provided their brand evaluation of the competing brand by using the same scale they used in the first week. Later, a ten-item scale was used to identify the analytic and holistic thinkers (I. Choi, et al., 2007). The scale asked the participants to agree or disagree (1=strongly disagree; 7=strongly agree) with ten measurement items. The detailed list of

the items was provided in Appendix 1. We followed the method used by Choi, et al. (2003) to differentiate analytic thinkers from holistic thinkers. Finally, the participants reported their demographic information and were debriefed with regard to the true purpose of the study.

4.4.4 Dependent Measures

Brand evaluations. The items pertaining to changes in brand evaluations were the same as in the previous studies ($\alpha=0.92$).

4.4.5 Results

Manipulation check. The manipulation check was similar to Study 2.

Brand evaluation. Firstly, the results of one-way ANOVA showed that the sensegiving response alleviated more negative spillover effect than the other response strategies. In other words, changes in the brand evaluations of the competing brands were less when the sensegiving message was given ($M_{\text{sensegiving}}=-.47$, $M_{\text{sensehiding}}=-.77$, $M_{\text{silence}}=-.80$, $F_{(2, 238)}=2.35$, $p<.10$). Thus, H1 was supported. Parenthetically, the interaction effect between brand relatedness and response strategy did impact change in brand evaluation ($F_{(5, 238)}=2.95$, $p<.10$). More specifically, when brand relatedness was high, the differential effect of the sensegiving response and sensehiding response was greater. Further analysis showed that the pattern of interaction accorded with the expected direction. When brand relatedness was high, the two message strategies demonstrated significant impact on the change in brand evaluations ($M_{\text{sensegiving}}=-.51$, $M_{\text{sensehiding}}=-1.18$, $F_{(2, 81)}=3.38$, $p<.01$; $M_{\text{sensegiving}}=-.51$, $M_{\text{silence}}=-1.11$, $F_{(2, 80)}=2.98$, $p<.01$). Similar to what was observed in Study 2, there was no significant difference in the effectiveness of denial response

messages at a low level of brand relatedness ($M_{\text{sensegiving}}=-.43$, $M_{\text{sensehiding}}=-.35$, $M_{\text{silence}}=-.48$, $F_{(2, 120)}=.18$, $p>.10$). Therefore, H2 was also supported. Please refer to Table 4 and Figure 4. We additionally looked into the three-way interaction effects. We identified analytic and holistic thinkers by using a media split (Contradiction domain: median= 4.6; Locus of attention domain: median=5.6) (Monga & John, 2008). The results indicated that individual thinking styles did not interact with the other two variables, brand relatedness and response message strategies, regardless of the levels of brand relatedness (Locus of attention domain: $F_{(5, 115)}=1.94$, $p>.10$; Contradiction domain: $F_{(5, 117)}=.21$, $p>.10$). As a result, H3 was not supported.

4.4.6 Discussion

In this study, we continued to explore the first two hypotheses. In addition, we added the third hypothesis and used a different scenario (value-based brand harm crisis).

The findings related to the first two hypotheses were similar to the previous two studies. When the sensegiving strategy was applied, the change in brand evaluation was less than when the sensehiding strategy was applied, indicating that the sensegiving strategy may have reduced a negative spillover more than the sensehiding strategy did. When the competing brand had a low level of brand relatedness with a scandalized brand, the change in brand evaluation was less than when the sensehiding strategy was applied. When brand relatedness between the scandalized brand and the competing brand was high, the sensegiving strategy resulted in the greatest reduction in negative spillover effect.

We did not achieve significant results with regard to the third hypothesis when brand

evaluation was the dependent variable. In other words, thinking style did not interact with brand relatedness and response strategy on brand evaluation.

In summary, we used two dependent variables: compliance intention and brand evaluation in this study. We tested all three hypotheses that covered the main effects from two different kinds of response strategies, the two-way interaction between response strategies and brand relatedness and the three-way interaction between response strategies, brand relatedness, and thinking styles. This study provided more support for the first two hypotheses, but failed to support the third hypotheses.

5. GENERAL DISCUSSION

Spillover from a brand crisis happens quite often in the marketplace. The harm that a brand crisis brings is not limited to the scandalized brand. Other brands, such as sub-brands, parent brands, or competing brands, may also be affected. This study focused on negative spillover effect from the perspective of competing brands. In fact, when marketers of competing brands face negative spillover effect, the first question they ask is whether they need to respond to a brand crisis. Previous research has suggested that competing brands should provide a denial message, rather than keeping silent (Roehm & Tybout, 2006). However, the denial response suggested by previous research may not be the only response message that a competing company can use. The objective of this research was to explore a denial response with the aim of reducing any negative spillover effect from another brands' crisis. We introduced the concept of "sense" and defined two kinds of denial messages based on the framing of the denial sense in each strategy. The sensegiving strategy referred to a denial message containing negation to deliver a denial sense. The sensehiding strategy referred to a denial message using affirmation to deliver the denial sense. In addition to this, we examined how brand relatedness interacted with these two denial messages in terms of consumer response and the interaction between brand relatedness, response strategies, and thinking styles.

Across three studies are explored these relationships. Specifically, we manipulated two forms of denial in all three studies and the levels of brand relatedness in two out of three studies

(Study 2 and Study 3), while individual thinking styles were introduced in the third study. Moreover, we included the silence response strategy in Studies 2 and 3 so that we could explore the baseline condition (i.e. silence) in the context of our study. The silence strategy may provide a better explanation of the effects from the two forms of denial strategy.

For dependent variables, we used compliance intention related to the denial message directly in the first study. In the second study, in addition to the compliance intention, we compared prior-crisis and post-denial response brand evaluations from competing brands. Such comparisons allowed us to access information beyond consumer reaction to the denial message. For the third study, we extended the generality of the first two predictions by using a different product category.

Findings from the three studies showed that the sensegiving response strategy received more compliance intention and reduced more negative spillover than the sensehiding response strategy did. For the two-way interaction, brand relatedness did interact with denial messages on both compliance intention, and brand evaluation. However, due to the focus on compliance intention, the direction of the interaction was contrary to the second hypothesis. Conversely, the change in brand evaluation was affected by the two-way interaction between response messages and brand relatedness in accord with the direction of H2. The underlying mechanism may be explained by the observation that when brand relatedness is high, spillover from the scandalized brand's crisis is relatively greater, causing brand evaluation to change in a negative direction. The negation that the sensegiving strategy contains may provide a "not guilty" sense to

consumers. Such a sense may help the competing brand distance itself from the brand crisis, and the change in brand evaluation may be less than when the sensehiding strategy and silence strategy are applied. Meanwhile, high brand relatedness (i.e. a strong association between the scandalized brand and competing brand) may buffer the effects from either the sensehiding strategy or the silence strategy. The affirmation that the sensehiding strategy contains does not provide the strong denial sense that consumers need to reduce spillover. Moreover, affirmation may cause a boomerang effect, indicating that consumers may connect the scandalized brand with the competing brand to form an even stronger association. Keeping silent may reduce negative spillover more than the sensehiding strategy does when brand relatedness is high. With regard to low brand relatedness, the three kinds of response strategies did not have significantly different effects on the change in brand evaluation. Therefore, we concluded that when brand relatedness was high, the different effects of sensegiving versus sensehiding were greater than when brand relatedness was low.

5.1 Theoretical Implications

This research extends the literature in the areas of brand-harm crisis, sensemaking, and brand relatedness. The implications discussed in this section address the research questions presented at the beginning of this paper.

The first contribution of this research is its investigation of denial message strategies from the competitor's perspective. Based on the supportive results we received from the data, we

adopted a pair of concepts, sensegiving and sensehiding, as denial response strategies competitors can use following another brand's crises. The existing brand-harm crisis literature from the competitor's perspective is very limited. There has been, in fact, only one study exploring the importance of response strategies utilized by competitors (Roehm & Tybout, 2006). Thus, the introduction of these two types of denial message strategies brings insight to research on competitors' response strategies.

Second, this research extends the concept of sensemaking. Given the different and theoretically sound messages surrounding sensemaking, we explored sensegiving and sensehiding by characterizing this pair of concepts as competitors' denial message strategies. Most of the previous studies about sensegiving and sensehiding have focused on strategic or organizational research problems (Gioia & Chittipeddi, 1991; Mahapatra & Pattnaik, 2013). There are indeed articles that have used the sensegiving concept to examine consumers' attitudes or purchasing behavior, marketing channels, or other research (Woodside, 2001). However, there has been very little marketing literature on the concept of sensehiding. Both sensegiving and sensehiding concepts have previously not been found in brand-harm crisis research. Therefore, the results of this research shed new light on the concepts of sensehiding and sensegiving from a marketing perspective.

Third, this study builds on established literature pertaining to associative network theory. Previous research has used this theory to analyze negative spillover effect within the same brand portfolio (Lei et al., 2008), rather than spillover from a scandalized brand to its competitors. We

adopted this theory to explore how spillover occurs from a scandalized brand to a competing brand. This contribution should advance the literature on associative network theory from a competitor's perspective.

With regard to the second research question, the theoretical implication this research has identified is that contingencies may influence the impact of denial response strategies on reducing a negative spillover effect. Notably, the conceptual model has provided a means to investigate the contingency role of two variables: (1) brand relatedness, representing the strength of the association between two brands (Lei et al., 2008); and (2) individual thinking styles (holistic or analytic), referred to as an individual's cognitive processes that are promoted by their social environment (Nisbett et al., 2001). Compared to the findings from previous research, when brand relatedness is low, the effects from a sensegiving denial strategy and a silence strategy do not significantly differ from to each other (Tybout and Roehm, 2006). The identification (or the exploration) of these contingencies has created a better understanding of when and how to use an effective denial strategy.

Last but not least, we not only compared a sensegiving strategy with a sensehiding strategy in the studies, but we also adopted the silence strategy as a baseline. Such a method may advance the competitor's denial message strategy literature by bringing together all of the strategies that have been studied in previous research (Roehm & Tybout, 2006).

5.2 Managerial Implications

This study also provides a practical guide for managers and marketers following another brand's crisis. Referring to the questions asked in the problem identification section ("Which form of denial response can persuade consumers to believe in the innocence of a competing brand?" and "Do different forms of denial response have different impacts on reducing a negative spillover effect?"), our research shows that, compared to the sensehiding strategy and the silence strategy, the sensegiving strategy may reduce compliance intention, and alleviate negative brand evaluation brought by a brand-harm crisis. This finding may help marketers select the most suitable strategy in response to another brand's crisis. We also discussed the framing that the two messages contain. More specially, we established a clear and simple criterion, negation, to differentiate the two types of response messages. Hence, marketers of competing companies should be able to determine both the intention they should deliver and the wording they should use in different response messages. With such clarification, top managers should be able to match the response with the sense and both frontline employees and executives should be able to understand the response strategy when consumers ask about their competitor's involvement in a brand crisis.

Second, this study discusses what marketers should be concerned with when they choose the response message. Similar to prior research, we have suggested that competitors should regard the relationship between the scandalized brand and the competing brand as the main

factor for deciding what the response message should be. Additionally, we use brand relatedness to represent a higher-order construct of brand similarity (Herr, 1989; Herr et al., 1996), which has rarely been addressed in the context of negative brand spillover research. Such a concept may help managers of competing brands to develop greater awareness of the conditions necessary to differentiate denial response strategies. Thus, this study contributes practically to the marketplace because a proper response message can avoid unexpected outcomes while still encouraging a positive evaluation of competing brands. For example, when a brand with high brand relatedness has a brand-harm crisis, marketers of competing brands could respond with a negation to differentiate the competing brand from the scandalized brand. In this case, a sensehiding strategy, emphasizing how good the competing brand is, may not work as well as a silence strategy. Hence, if a competitor cannot use a sensegiving strategy, the second best choice could be keeping silent rather than using a sensehiding strategy. Conversely, when a brand with low brand relatedness has a brand-harm crisis, a competitor could consider using a sensehiding strategy as an alternative to a sensegiving strategy to answer the doubts or questions from consumers or press, given the slight differences between the two strategies and the advantage of avoiding a boomerang effect.

5.3 Limitations and Future Research

Like other studies, this study also has a few limitations, which indicate some avenues for further research.

First, this research examines one personal characteristics variable, thinking style. The insignificant results of the three-way interaction may have been caused by the experiment's method because we measured thinking style rather than manipulated it. Holistic thinking and analytic thinking may not differ enough from each other to build a significant three-way interaction. Moreover, the unsupportive results may indicate the existence of other characteristics of individuals. Previous research has used variables such as gender (Laufer & Gillespie, 2004) to study brand crisis. Future research could adopt more or other individual characteristic variables and build them into the model.

Second, the competing brands used in the three studies all have relatively high market share compared to other brands in the same product category. As one of the important features of a brand, market share may play an important role during the brand evaluation process or brand choice procedure. Thus, future research might consider using competing brands with lower market share to explore the role of market share.

Third, there are some methodological constraints in this research. All of the studies used students as participants. Even though student samples are widely used in studies of consumer behavior, recent studies have nonetheless pointed to the downside of using student samples. Further studies could consider using Amazon Mechanical Turk to get a more representative sample. In terms of further constraints, there was one week between the Time 1 study and Time 2 study. This interval could have affected the rate of participation and the research results. Further research could consider using a filler task to reduce the probability of excessive attention focused

on the scandalized brand instead of one week interval.

Fourth, the brands we used in the three studies were all real brands. Though there may be an advantage to brand familiarity, knowing a brand may cause a problem with external validity. In future studies, researchers could consider using fictitious brands in their experiments.

Finally, researchers may be interested in using brand switching as the third dependent variable. One brand's crisis may become another brand's opportunity (Cleeren, van Heerde, & Dekimpe, 2013). Hence, switching behaviour (or the preference strength) may provide some insight into how competing brands can use negative spillover effect to get positive results.

6. CONCLUSION

This research examines how marketers of one brand should respond to another brand's crisis by introducing the concept of sensegiving vs. sensehiding denial response strategy. With different message framings of the denial sense, we differentiate between sensegiving and sensehiding. Through three experimental designs, we demonstrate that sensegiving response strategy reduces negative spillover more than sensehiding does. Furthermore, we explore the contingent condition of brand relatedness, and find that high brand relatedness is associated with a greater impact with respect to consumers' responses to the two types of denial strategies. However, individual thinking styles, either analytic or holistic thinkers, have no significant impact on how consumers response to the denial strategies. These findings extend the brand-harm crisis literature and provide useful guidance for marketers developing more effective denial response strategies.

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Appendix 1 Brand Crisis and Firm Response Scenario of Study 1

CCTV News Channel, April 13th: Earlier this year, the FDA released official documents casting further suspicion on the safety of Colgate toothpaste. The documents revealed that scientific evidence relied on by the FDA to permit one type of Colgate toothpaste came not from Colgate, but from a third party institution. In fact, this was not the first suspicious account that this toothpaste has ever received. British media once reported that this toothpaste contains Triclosan, which can cause cancer. However, Colgate insisted that the FDA had permitted this toothpaste, indicting it was safe to use this product. Currently, the release of the documents questions the authority and accuracy of the FDA's safety conclusions. Recent research shows that Triclosan can trigger the fibrosis of hepatic cells thereby increasing the probability of liver cancer. The FDA plans to conduct a new examination concerning the safety of this type of toothpaste based on the recent research. Colgate still believes there is no evidence of harm from the toothpaste, though the research used animals, not human beings, as its target. Colgate also has no plan to change the formula of the toothpaste.

Since 2000, functional toothpaste has started to enter the Chinese market. Many companies have launched products with functions, such as anti-cavity or brightening. The anti-bacterial function of Triclosan widely uses such components in toothpaste products. Aiming at the harm that Triclosan can bring to Colgate toothpaste, we interviewed other producers in the toothpaste industry. Among the companies we interviewed, the head of the public relations department of Darlie emphasized that: "Our products contain no Triclosan, and we won't use this component in

the future.” [The sensehiding response was “We pay attention to this issue. We will make sure of the safety of our products by following updated regulations and recent research.”] The safety of toothpaste plays a very important role in our daily life. We will continue tracking further progress on this issue.

Appendix 2 Brand Crisis Scenario of Study 2

Recently, the number of brand crises in the fast food category has risen sharply. Such phenomena have attracted our attention. A series of interviews were conducted. One of McDonald's employees told our journalist that the processing of frozen chickens has standard requirements. However, these requirements are always violated. A raw frozen chicken is put into a bucket of water for only a few seconds. Then, the employee wraps the chicken in flour while blood still covers the chicken's surface. No one bothers to change the water in the bucket even though the water is tainted and chicken fat is floating in it. Moreover, the employees do not cook the chickens long enough during rush hours. Chicken wings should be fried for seven and a half minutes. However, consumers may be served a pair of chicken wings cooked for only five minutes. Meanwhile, the expiration dates of the chickens were changed at the employees' will, as they changed the food packaging and wrote new expiration dates on them. Additionally, the journalist found one employee who used a package of expired materials to make a chicken hamburger. Having doubts, the employee considered the expiration date as the main reason for using this package of raw materials. One of the attractions of foreign fast food is its standardization. As the industry leader, however, McDonald's has been exposed to brand-harm crises several times. We will continue to pay attention to this issue to avoid further damage brought on by McDonald's.

Appendix 3 Brand Crisis Scenario of Study 3

According to the Beijing News, the leader in the sports shoe industry, Nike, has attracted concern due to a “double standard” issue. In advertising its new shoes, Nike emphasized that Air Max technology is used in both the forefoot and heel positions. However, a professional report provided by a shoe website indicated that there is no Air Max in the forefront position. Furthermore, the report pointed out that the product sold aboard does have Air Max in both positions. Given this “double standard,” Nike paid monetary fines ordered by the Beijing Industry and Commerce Bureau as a penalty for its deception. The amount was close to five million Yuan. Nike thereafter issued a corrective announcement, saying that its promotion materials caused the misrepresentation. The company also deleted the description of the technology and executives issued a recall for the product. However, can the damage that this “double standard” brings really be eliminated? Please pay attention to our further reports.

Figure 1: Interaction Effect between Response Strategy and Brand Relatedness on Compliance Intention (Study 1)

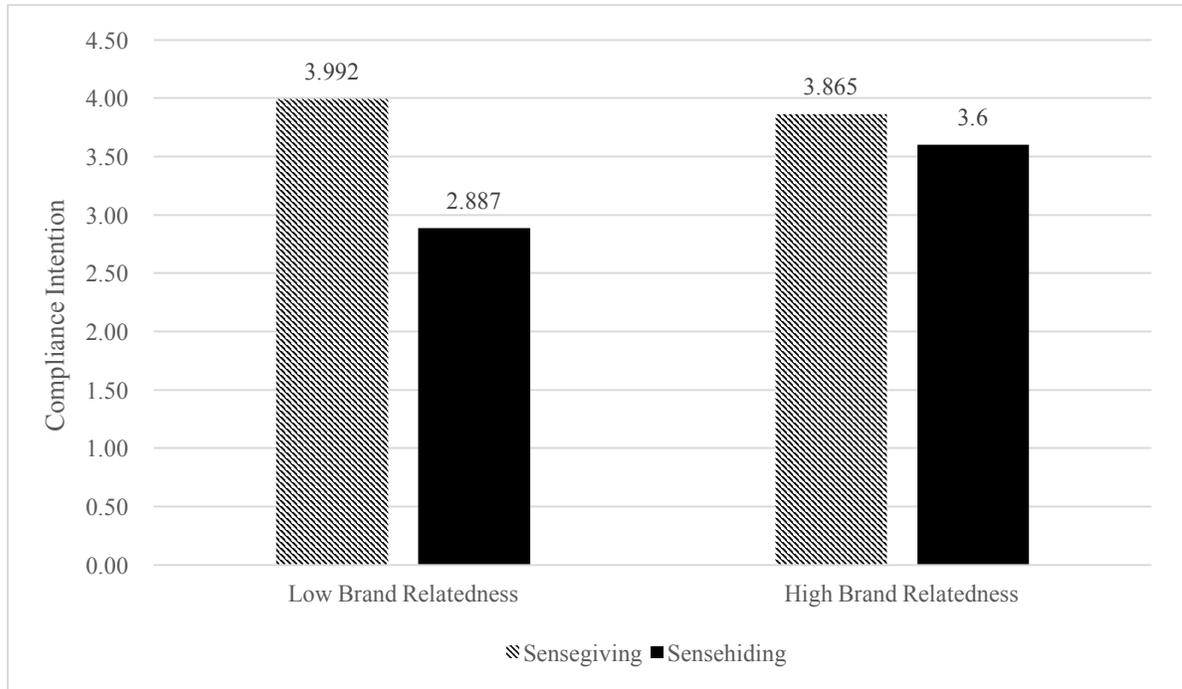


Figure 2: Interaction Effect between Response Strategy and Brand Relatedness on Compliance Intention (Study 2)

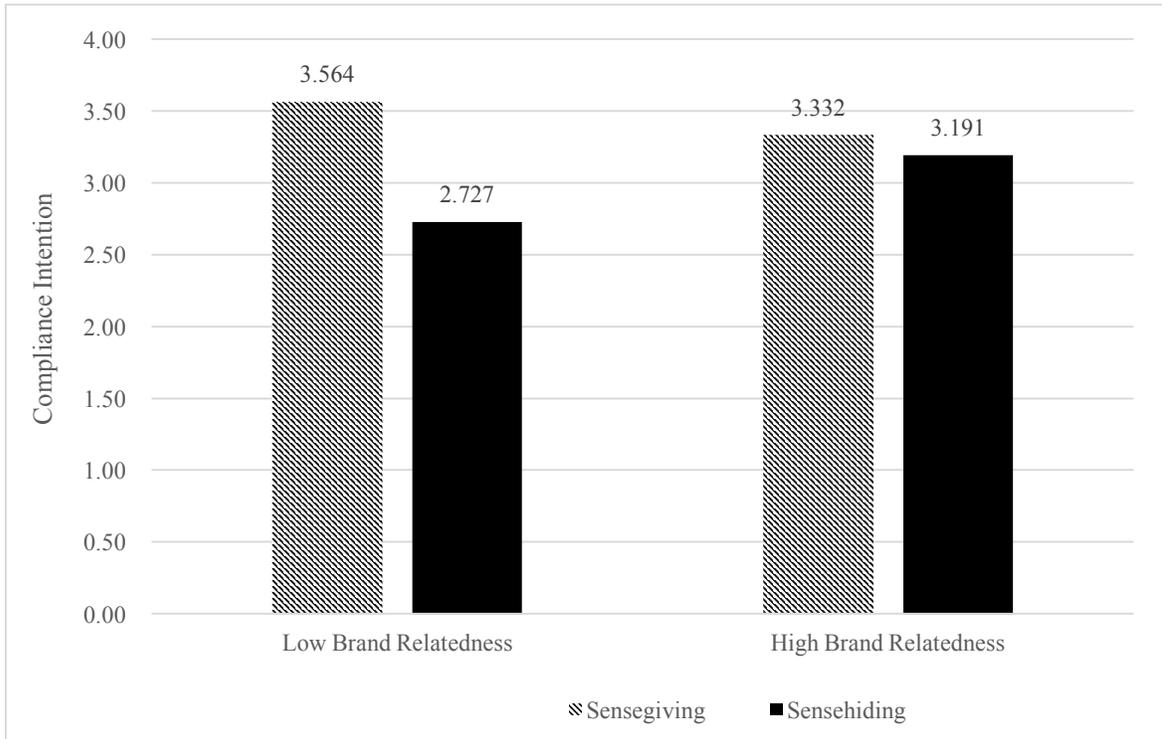


Figure 3: Interaction Effect between Response Strategy and Brand Relatedness on the Change in Brand Evaluation (Study 2)

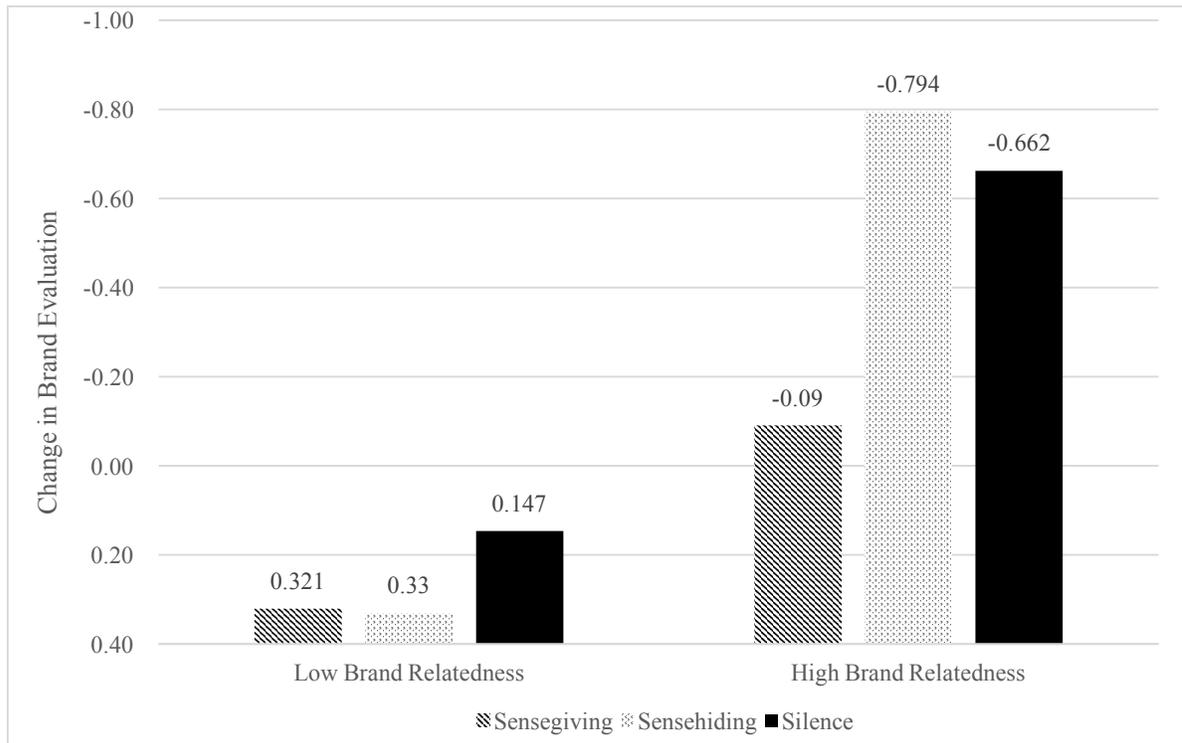


Figure 4: Interaction Effect between Response Strategy and Brand Relatedness on the Change in Brand Evaluation (Study 3)

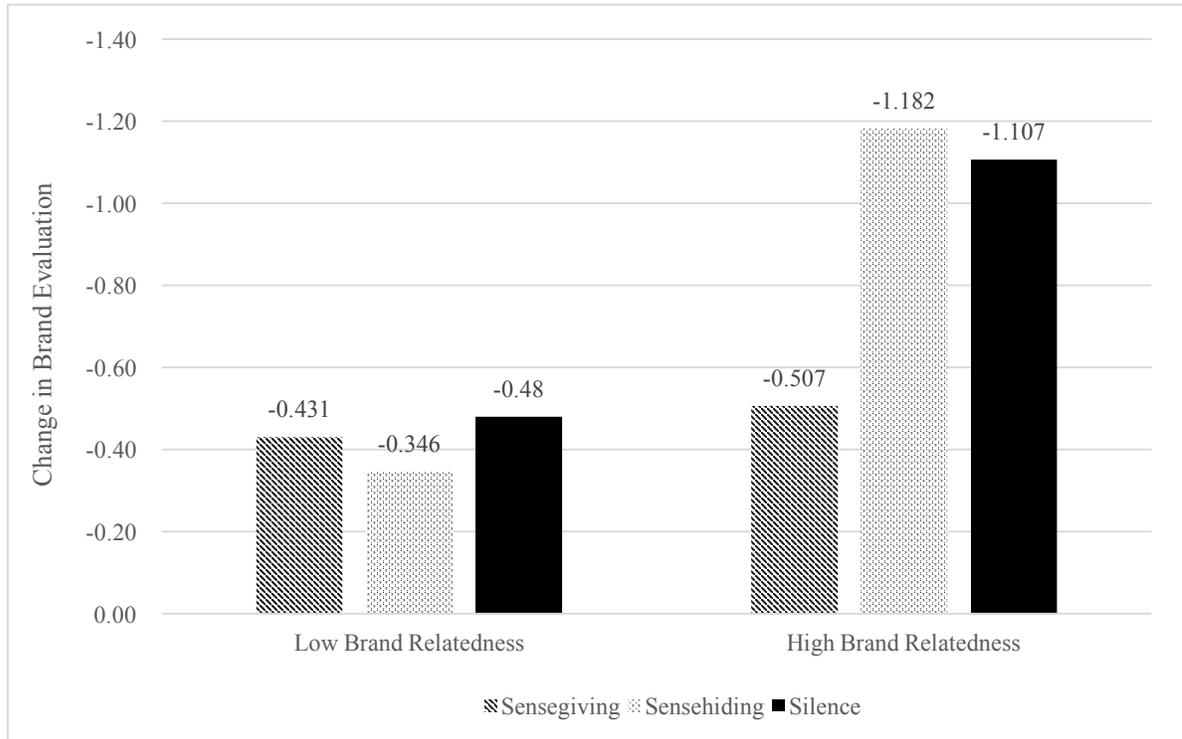


Table 1: Mean Values (Standard Deviation) of the Dependent Variable-Compliance

Intension in Study 1

	Low Brand Relatedness	High Brand Relatedness
Sensegiving	3.992 ^a (.769)	3.865 (.757)
Sensehiding	2.887 ^a (1.032)	3.600 (.770)

Note. Cell mean in the same column with same superscripts are significantly different from each other at $p < .001$

Table 2: Mean Values (Standard Deviations) of Dependent Variable – Compliance

Intention in Study 2

	Low Brand Relatedness	High Brand Relatedness
Sensegiving	3.564 ^a (1.077)	3.332 (1.106)
Sensehiding	2.727 ^a (.819)	3.191 (1.128)

Note. Cell mean in the same column with same superscripts are significantly different from each other at $p < .01$

Table 3: Mean Values (Standard Deviations) of Dependent Variable – Change in Brand

Evaluation in Study 2

	Low Brand Relatedness	High Brand Relatedness
Sensegiving	.321 (.813)	-.090 ^{a,b} (.855)
Sensehiding	.330 (.891)	-.794 ^a (1.104)
Silence	.147(.834)	-.662 ^b (.891)

Note. Cell mean in the same column with same superscripts are significantly different from each other at $p < .01$

Table 4: Mean Values (Standard Divisions) of the Dependent Variable – Change in Brand Evaluation in Study 3

	Low Brand Relatedness	High Brand Relatedness
Sensegiving	- .431 (1.076)	-.507 ^{a,b} (.899)
Sensehiding	-.346 (1.196)	-1.182 ^a (.908)
Silence	-.480(1.132)	-1.107 ^b (.909)

Note. Cell mean in the same column with same superscripts are significantly different from each other at $p < .01$

Table 5: Simple Size of the Dependent Variable-Compliance Intension in Study 1

	Low Brand Relatedness	High Brand Relatedness
Sensegiving	33	39
Sensehiding	42	35

Table 6: Simple Size of the Dependent Variable- Change in Brand Evaluation in Study 2

	Low Brand Relatedness	High Brand Relatedness
Sensegiving	35	35
Sensehiding	32	34
Silence	35	36

Table 7: Simple size of the Dependent Variable- Change in Brand Evaluation in Study 3

	Low Brand Relatedness		High Brand Relatedness	
Thinking Style	Holistic	Analytic	Holistic	Analytic
Sensegiving	22	18	21	19
Sensehiding	21	20	21	21
Silence	20	20	21	19

Appendix 1 Measures of Thinking Style in Study 3

Attitude toward Contradiction:

1. It is more important to find a point of compromise than to debate who is right/wrong, when one's opinions conflict with other's opinions.
2. When disagreement exists among people, they should search for ways to compromise and embrace everyone's opinions.
3. It is more desirable to take the middle ground than go to extremes.
4. I found myself use contradictory ways to deal problems.
5. I found some of my thoughts are contradictory to each other.

Locus of attention:

1. It is more important to pay attention to the whole than its parts.
2. We should consider the situation a person is faced with, as well as his/her personality, in order to understand one's behavior.
3. The happen of one thing can cause many other things.
4. Two ostensibly unrelated things are always related to each other.
5. When I judge or think about one thing, I am accustomed to put it into its background.