Role of Brand Familiarity in Combatting Rumors

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This research investigates why companies are not always successful in combating damaging rumors about their brands. Findings reveal that a well-crafted denial statement that provides sufficient evidence against the rumor is only successful in curbing transmission intention when a well-known brand is involved in the rumor. However, well-known brands also serve as common grounds for conversation amongst consumers. As such, they are more prone to being victims of rumors as they are more likely to be talked about. This way, brand familiarity act as a liability, instead of being an advantage for well-known brands in the context of rumors.

INTRODUCTION

Does a significant portion of Proctor & Gamble's income go to the Church of Satan?

Does McDonalds use earth worm in their hamburger?

These are examples of some of the most widely spread rumors on brands.

Brand rumors can bring companies into the limelight causing substantial damage to the company's reputation, consumer loyalty and financial performance (DiFonzo and Bordia, 2007). Rumors often cause irreparable damage to the reputation of the company as they contain information that signals violation of trust (Darke, Ashworth and Ritchie, 2008; Kim et al., 2004). Even though consumers may not completely believe the content of the rumor, mere processing of such damaging information can eventually influence consumer judgement and attitude (Schaller, Conway and Tanchuk, 2002). In addition, mere exposure to rumors may eventually increase perceived believability of the rumor due to its forgotten association with discounting cues, a phenomenon also known as sleeper effect (Jacoby et al., 1989). Negative information is also perceived as more diagnostic than positive information (Ahluwalia, 2002; Herr, Kardes and Kim, 1991). Higher accessibility of negative information may develop negative disposition in consumers' mind towards the brand and lead to lower perceived diagnosticity of any new positive information to be encountered in future (Herr, Kardes and Kim, 1991). Therefore, negative rumors may overshadow the positive effect of communications from the company in future.

Rumor literature is inconclusive about effectiveness of rumor denial strategy. Nonetheless, it is believed that rumors should be denied immediately to reduce belief in the rumor (e.g. Bordia et al., 2005). Absence of any response from the company may lead to generation of speculations about the plausibility of the rumor and cause further damage to company's reputation. Moreover, a denial response provides the necessary information to help consumers evaluate the relevance of the rumor.

On the contrary, anecdotal evidence suggest that even after repeated efforts denying the validity of rumors such as the ones listed at the beginning of the paper, companies like P&G and McDonald's have failed to eliminate rumors completely. For instance, P&G adopted a number of initiatives in order to refute the above stated rumor against their company. They recruited high-ranking religious leaders, compiled a 'truth-kit' and sent to individuals who inquired about the rumor and to churches in locations where the rumor was breaking out, launched nation-wide press campaign denying the validity of the rumor and finally, sued the competitors successfully who were involved in spreading the rumor (Austin and Brumfield, 1991). The rumor generated 15,000 phone calls from customer every month to the company's customer service division. On the other hand, McDonald's reported a loss of 30% of sales in the region in which the above rumor broke (Tybout et. al. 1981). The management of the fast food chain tried to convince consumers that earth worm actually costs more than beef, hence, the company would rather lose money if they used it in burger. The company also posted a letter from the Secretary of Agriculture certifying the quality of beef used in making burgers by McDonald's. In addition, they published ads promoting their "100% pure beef". While P&G's refutation strategies were somewhat successful in dampening the spread of the rumor, McDonald's extensive efforts to combat rumors were less than effective at best. Denying the rumor did not help the management to gain back lost business. Based on anecdotal evidences such as these, it can be inferred at most that the effectiveness of rumor quelling strategies is yet to be known.

Brand familiarity is another factor that may further influence consumers' evaluation of the denial information and intention to transmit rumors. Consumers should find rumor about well-known and trusted brands to be less plausible and therefore, less share-worthy. Nonetheless, anecdotal evidence suggests that well known or up-and-coming brands are actually more likely to become the target of rumors than are unknown or less known brands (Fearn-Banks, 2007).

In this backdrop, this paper examines whether a company's response to the rumor can effectively limit or moderate the likelihood of transmission of damaging rumors about brands. In particular, I examined whether an explicit denial of the validity of the rumor by the company would be effective in this respect. I also examined the role of brand familiarity in rumor transmission in this study. More specifically, I explored if the effectiveness of a rumor quelling strategy varied depending on the familiarity of the brand. Findings revealed that a well-crafted denial statement providing sufficient evidence against the rumor is only successful in curbing intention to transmit it when a well-known brand is involved in the rumor. However, such well-known brands are also more prone to being victims of rumors as they are more likely to be talked about. This suggests that brand familiarity acts as a source of liability rather than an advantage for well-known brands in the context of rumors. Therefore, it is imperative for branded firms to combat rumors. On the contrary, less known firms may want to ignore rumors to minimize the risk of informing additional consumers about the rumor in the process of combating it. Future research should explore how less known brands can minimize damage to reputation and sales when they become targets of rumors.

Next, I develop the theoretical background of this research and present the empirical findings.

THEORETICAL BACKGROUND

Gordon W. Allport and Leo J. Postman, the two pioneers of rumor research defined a rumor as an unconfirmed or unverified statement or report (Allport and Postman, 1947). As evident from this definition, the key attribute that differentiates a rumor from other types of information, such as news or facts, is that rumors are unverified. Hence, it is unknown to the bearer of a rumor whether it is true or false. The definition of rumor evolved over time with improved understanding of the rumor spreading phenomenon and it accounted for important factors that drive transmission of such unverified information. For instance, Rosnow and Kimmel (2000) defined a rumor as an "unverified proposition for belief that bears topical relevance for the persons actively involved in its dissemination" (p. 122). As this definition suggests, rumors are unverified news or propaganda which may or may not be true, yet they

offer both informative and persuasive discourse on a topic relevant to the participants involved in its transmission.

It is believed that rumors are shared for the purpose of achieving a commonly shared understanding of social reality and reducing uncertainty via a process of group level sense-making (Goodman and Ben Ze'ev, 1994; Rosnow, Yost and Esposito, 1986; also see Bordia and DiFonzo, 2004; Festinger, 1950; Higgins, 1981;). Participants in the rumor transmission process attempt to inform as well as persuade others to believe or disbelieve the rumor by providing confirming or disconfirming information and evidence from personal experiences or trusted formal sources (Bordia and DiFonzo, 2004). Therefore, rumors are more likely to break out in situations of uncertainty, particularly when a formal source of information is missing (e.g., Bordia and DiFonzo, 2004; DiFonzo and Bordia, 2007; Mills, 2010; Rosnow, 1991). Through exchange of such information, transmitters: seek closure and cognitive clarity, find credible explanations regarding the uncertain situation, develop realistic expectations regarding possible future outcomes, and restore a sense of predictive control over the ambiguous event (Bordia and DiFonzo, 2004; Mills, 2010; Prasad, 1935; Rosnow, 1980).

Rumor literature suggests that the life cycle of a rumor can be divided into three stages: generation, evaluation and transmission (DiFonzo, Bordia and Rosnow 1994). A refutation strategy should be crafted to suit the need of the stage at which the rumor stands. For instance, filling up consumers with adequate information and providing them with a sense of emotional security can reduce uncertainty at the early stage of a rumor's life and thereby, curb rumor generation (review DiFonzo and Bordia 2007, p207-209 for a comprehensive review). On the contrary, rebutting the rumor with appropriate spokesperson and developing faith on management's communication can help reduce belief in the rumor in the evaluation stage (Esposito and Rosnow 1983). Lastly, not repeating the rumor is the most commonly suggested strategy for combatting rumors during the transmission stage. The company may also benefit during the transmission stage by campaigning deliberately against rumor mongering and taking strict actions against rumor instigators. In the organizational context, companies have also curbed transmission successfully by ensuring that employees are not having idle and monotonous times to get involved into rumor transmission. Irrespective of what specific rumor quelling strategy is adopted by a company, ignoring the rumor and being silent about it has been found to be one of the least effective responses in combatting rumors.

Alternatively, a cognitive approach to understanding rumor transmission suggests that any response to rumor from the company actually leads to increased memory of the rumor itself because of *rehearsal effect* (Tybout, Calder and Sternthal, 1981, p. 74). Information is stored in our memory systematically in the form of associations. When consumers are exposed to a brand rumor, the negative information contained in it is added to the existing schema of the brand as a new association. When the brand information is retrieved from memory at a later time, all associations with the brand are retrieved along with the negative association contributed by the rumor. This leads to rehearsal effect by making associations even more strongly tied with the brand. In the context of rumor refutation, because of the rehearsal effect, company's denial statement in effect activates associations between the brand and the negative information contained in the rumor, and lead to both increased awareness and increased perceived believability of the rumor. As a result, denial does not lead to more positive evaluations of the target brand. Therefore, it is recommended that companies should avoid taking any measure that strengthens the association between the brand and the content of rumor. Rather, one possible strategy could be to imbue the accused brands with positive attributes to weaken the association between the rumor and the brand in consumers' mind (e.g., Tybout, Calder and Sternthal, 1981). This can be done by either making new positive associations with the brand or by changing the perceived negative opinion about the content of the rumor by proving additional information.

In contrast, support for the response strategy suggests that rumors should be denied immediately as denial reduces belief in the rumor and anxiety (Bordia et al., 2005; Bordia, DiFonzo and Schulz, 2000; Bordia, DiFonzo and Travers, 1998; Kimmel and Audrain-Pontevia, 2010). This alternative perspective suggests that when consumers' opinions about a company become negative, the burden of proof is on the company to supply evidence against the accusation (Fearn Banks, 2007; Kim et al., 2004;). Absence of

any response from the company may lead to generation of speculations about the plausibility of the rumor and cause further damage to company's reputation. Even when consumers are not highly involved with the crisis in consideration, repeated exposure to rumors may lead to cognitive illusions and motivate people to believe these dubious stories. Therefore, a positive attitude towards the company can be restored only when active effort is taken by the company to reinforce positive beliefs (Fearn-Banks, 2007). Given rumors are born due to cognitive obscurity resulting from the absence of reliable and correct information, the transmission of rumors is more likely to be impeded by providing information that denies the validity of the rumor (for details, see Darke, Ashworth, Ritchie, 2008). Moreover, a denial response may provide the necessary information to help consumers generate counter arguments against the rumor.

A denial response may be issued in the form of a press release, newspaper advertisement, information released on the company website, statements made by top management of the company and testimonials and endorsements by third parties (DiFonzo and Bordia 2007). The specific information contained in the response may also influence its ability to successfully impede rumor transmission. Presence of the original rumor with the company response has been found to influence the effectiveness of the denial strategy (Koller, 1993). When a company denies a rumor without specifically mentioning the original story, the communication may be perceived by consumers as puzzling and suspicious, and taken as a reflection of the company's guilt. Mere denial may not provide the audience with sufficient information to judge the plausibility of the company's response. Further, the Gricean maxim of quantity suggests that a speaker should be enough to provide all necessary information required by the context of conversation (Grice 1975). A denial in the absence of the original story may violate this rule of conversation making the communication less effective. Lastly, a general denial may not be effective enough to reduce belief in the rumor. Rather a point by point rebuttal will be more effective in increasing skepticism towards the rumor and restoring trust in the brand (DiFonzo and Bordia 2007). A comprehensive response that addresses the acquisition point by point and provides all necessary information is also likely to make the communication episode more effective by making the content of communication more relevant for the audience. A different research conducted by DiFonzo and Bordia further revealed that denials that aided people to regain a sense of control were more effective in reducing belief and anxiety (p. 217).

The above arguments lead us to believe that the primary goal of any management dealing with rumors should be to develop a response strategy that effectively curbs the motivation behind transmission of brand rumors, without changing any pre-existing positive belief about the company or the brand (Darke, Ashworth and Ritchie, 2008; Johar, 1996). Social psychologists propose the idea of instilling "critical sense" in the transmitter's mind as a strategy to break the transmission process (Bartlett, 1932; Esposito and Rosnow, 1983). Critical sense is defined as one's ability to differentiate rumor from truth with the help of relevant knowledge, as well as the motivation to be more accurate. A well-argued response from the company may further aid counterarguing by providing the transmitter with the necessary knowledge to effectively engage in such processing.

Brand familiarity is an additional factor that may further influence consumers' intention to transmit rumors. Brand familiarity can operate in a number of ways. First, a familiar brand can act as a simple heuristic cue for liking (Chaiken, 1979) or trust (Petty, Cacioppo and Schumann, 1983), which could lead to lower willingness to transmit a negative rumor about the brand. If so, brand name would be expected to produce a main effect by reducing the likelihood of rumor transmission regardless of whether a denial is actually offered or not. While this is theoretically possible, anecdotal evidence suggests that well known or up-and-coming brand rumors are actually more likely to become the target of rumors than are unknown or less known brands (Fearn-Banks, 2007). For example, a rumor on Bubble Yum chewing gum was born when the company was breaking sales records (DiFonzo and Bordia, 2007). Pre-existing knowledge about familiar brands creates common ground for social interaction between consumers, and therefore becomes a natural topic of discussion. For this reason, rumors on familiar brands are likely to draw more attention and generate greater curiosity among consumers compared to rumors on less known brands. Brand name can become somewhat of a liability for a company in this respect, which would suggest that managers of well-known brands need to be more vigilant about rumors.

Next, I present the methodology and empirical findings of the current research.

CURRENT RESEARCH

Method

A 2 (Brand familiarity: known vs. unknown) X 2 (Company response: no response vs. response) between-subjects experiment was designed in which both brand and company response were manipulated variables. The main dependent measure was transmission intention. Participants were 99 undergraduate students from a business school.

A rumor for Domino's pizza delivery was constructed based on similar stories concerning pizza delivery that were available online. A baseline story was used as the control condition. The base rumor involved a story about Domino's Pizza and its '30 min delivery or free' campaign in which the delivery person accidentally hit a parked car in a quiet residential neighbourhood while attempting to deliver a pizza. The rumor further suggested that the parked car that was hit in the accident actually belonged to the customer who requested the 30 min delivery option.

Brand familiarity was manipulated by replacing Domino's pizza, the well-known brand, with a fictitious pizza store name (Daniele's pizza) in the unknown brand name condition. The company's response was manipulated by adding point-by-point information at the end of the story explaining why the rumor is not true. The response included denial statement from the management as well as a press release with supporting evidence from reliable third parties. More specifically, the response details suggested the company had denied the rumor indicating that the accident described in the story never happened. In addition, the management directed audience to a press release published on the company website which presented statements from the delivery guy and his picture with the delivery car showing that the vehicle was intact. The press release also included statements from people living in the neighbourhood who reported not hearing about any such accident and a quote from the local police officer suggesting he did not have record of any accident happening in the neighbourhood.

Participants were randomly assigned to one of the four conditions of the study. Each participant read a version of the rumor and then responded to a number of measures. The rumor was presented in the form of screen print of a blog posting on yahoo (answers.yahoo.com). The main dependent measure was intention to transmit the rumor to others, which was rated on a seven-point scale.

Results

Manipulation Checks

A two-way ANOVA revealed that participants were significantly more familiar with Domino's pizza compared to Daniele's pizza (Ms = 5.96 and 1.24; $F(1,95) = 384.94$, $p<0.001$). No other effects were significant. In order to determine effectiveness of company response manipulation, participants were asked at the end of the study to identify the company response information they read in the story from a list of responses. A chi-square analysis indicated that the majority of the participants could correctly identify the company response information provided in the rumor ($\chi2(3) = 91.58$, $p< 0.001$).

Main Analyses

A two-way ANOVA revealed a significant interaction effect of brand familiarity and company response on intentions to transmit the rumor ($F(1, 95) = 5.06$, $p < 0.05$). No other effects were significant. Therefore, company response alone did not lead to lower rumor transmission intention.

FIGURE 1
**EFFECT OF BRAND FAMILIARITY AND COMPANY RESPONSE INFORMATION ON
VALIDITY OF THE RUMOR ON TRANSMISSION INTENTION**
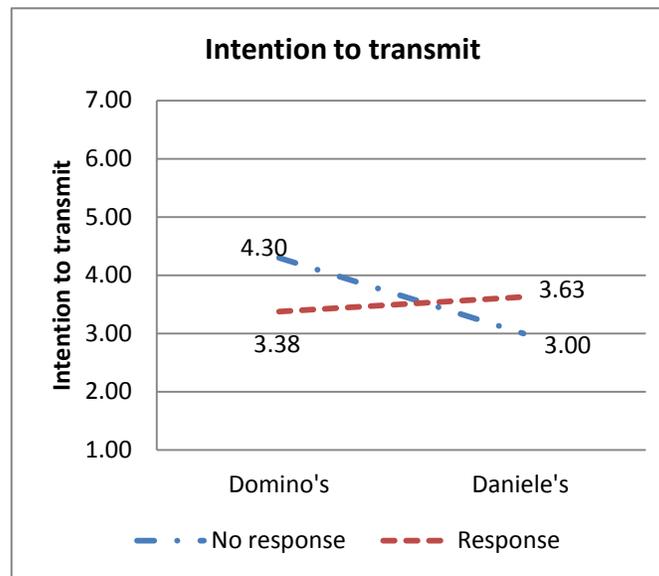
The interaction revealed two important findings. First, when participants read about the rumor only (i.e. no company response group), brand familiarity significantly increased participant's intentions to pass on the story to others (Ms = 4.30 and 3.00 for Domino's and Daniele's; $F(1,95) = 7.135$, $p < 0.01$). Second, company response significantly decreased intentions to pass on the Domino's rumor (Ms = 3.38 and 4.30 for response and control; $F(1,95) = 3.55$, $p<0.07$), but not for the Daniele's rumor (Ms = 3.63 and 3.00, $p>0.2$). Contrast analysis revealed that the company response was effective enough to reduce transmissions for well-known brands down to the level of unknown brands (Ms = 4.30 vs.3.38, 3.63 and 3.00; $F(1,95) = 5.90$, $p<0.05$).

Company response also had a significant effect on perceived relevance of the rumor ($F(1,95) = 8.05$, $p<0.01$), such that the rumor was perceived to be less relevant when the company responded (Ms = 3.33) compared to the control condition (Ms = 4.17). Brand familiarity, on the other hand, did not have any significant main effects or interactions on perceived relevance of the rumor ($ps>0.2$). Findings also suggested that perceived relevance had a significant effect on transmission intention ($\beta = 0.27$, $t = 2.75$, $p < 0.01$). Although there was no significant main or interaction effect of brand familiarity on relevance; together, these findings indicated that relevance of the rumor probably mediated the effect of brand name and company response on transmission intention indirectly.

Mediation

I ran mediation analysis within each of the brand familiarity conditions in order to test this possibility. For the known brand (Domino's), company response significantly predicted perceived relevance of the rumor ($\beta = -0.40$, $t = -2.95$, $p< 0.01$) and perceived relevance significantly predicted intentions to transmit ($\beta = 0.515$, $t = 4.07$, $p < 0.001$). Following the steps suggested by Baron and Kenney (1986), I found that relevance significantly mediated the relationship between company response and transmission intentions (βs from -0.288 to -0.098, ps from 0.047 to 0.483; Sobel's = -2.39 $p< 0.05$). On the contrary, for the unknown brand the relationship between company response and relevance ($p>0.2$) as well as relevance and transmission intention ($p>0.5$) were non-significant. Therefore, relevance mediated the brand familiarity x company response effect on transmission intentions such that company response

reduced subject's intention to transmit the rumor to others by lowering perceived relevance of the story only when the brand name was familiar. When the brand was unfamiliar, company response and perceived relevance of the rumor had little impact on transmission intention. Therefore, brand familiarity bolstered the persuasiveness of company response information by driving subjects to consider the relevance of the rumor and the supporting evidence contradicting its validity. It was rather the lower relevance of the information that became the significant driver of lower transmission intentions for known brand condition.

DISCUSSION AND MANAGERIAL IMPLICATIONS

Consumer-to-consumer interaction about brands has increased substantially in recent years. In addition to face to face exchanges on brands, social network sites (e.g., Facebook.com, Twitter.com, etc.) and other technological innovations have increased the amount of information exchanged through networks of consumers exponentially. However, information shared amongst consumers often involves highly damaging rumors on brands. Well-known companies, like McDonald's, Proctor & Gamble, Apple Inc., just to name a few, have suffered significantly in terms of lost sales, reduced stock price as well as damaged reputation and consumer confidence due to spread of false negative rumors (e.g., Bordia and DiFonzo, 2004; DiFonzo and Bordia, 1997; Zivney, Bertin and Torabzadeh, 1996). Anecdotal evidence suggests that rumor refutation strategies may not be effective at all times. The current research investigated when rumor refutation strategies are more likely to be effective and why.

This research revealed a number of interesting findings. Contrary to expectations, neither brand familiarity nor company response alone could influence participants' intentions to transmit rumors. It is rather a combination of these two factors that lowered the likelihood of a rumor being transmitted. More specifically, when a company provided evidence to contradict the rumor and when this information came from a well-known brand, consumers became less inclined to share the rumor. In comparison, when rumors were presented without any response information from the management regarding its validity, brand familiarity actually increased consumers' intention to transmit the rumor to others. This is consistent with anecdotal evidence reported in rumor literature which suggests that rumors on well-known brands spread more than rumor on less known brands (Fearn-Banks 2007). It is likely that brand familiarity created a common ground for social interaction between consumers and therefore, increased the likelihood of transmission of rumor on a well-known brand. Thus, brand familiarity became a liability for companies in the context of rumors, contrary to much of the literature on brands that suggests branding largely has positive effects on word-of-mouth and other important outcomes. The study further revealed that the decrease in transmission intention was observed due to lower perceived relevance of the information presented in the rumor. Therefore, consumers were more likely to evaluate the information contained in the rumor in terms of its information quality when point-by-point corrective information was presented in detail from the company's end. Company`s response had little impact on transmission intention when the brand was unknown.

The findings of this study have important theoretical as well as managerial implications. Social psychologists through years of research revealed conflicting findings regarding the effectiveness of rumor combatting strategies in curbing rumor transmission. This study identifies brand familiarity as a boundary condition of the relationship between company response and transmission intention, and suggest that effectiveness of the corrective information depends significantly on the level of familiarity of the brand involved in the rumor. In terms of managerial relevance, this study reveals that it is possible to combat the spread of rumors by directly providing consumers with specific information to refute its validity. It also suggests that brand familiarity actually acts more as a liability, particularly when rumors are not refuted. Therefore, it is especially important for recognized brands to directly refute the false rumor to minimize spread. Although unknown brands are less prone to rumors, managers of unknown brands need to be careful in dealing with corrective measures if and when there is outbreak of rumors. While less known brands may actually enjoy the popularity of being in the limelight because of rumors, it is important for managers to ensure that extremely negative information capable of damaging consumers' confidence and

trust towards the brand is not spread widely. Future research should focus more on how denial statements against rumor from unknown brands may be made more effective.

Additionally, this research offers rich insight for practitioner on rumor combating strategies. Companies often end up spending substantial amount of money into crisis management in order to kill rumors. The insight that rumor transmission can be curbed by having consumers focus on its information value is an important learning for managers. It can help managers develop a more successful response strategy. Marketers could have consumer pay more attention to the rumor's relevance by offering a denial statement with objective and strong argument against validity of the rumor regarding a well-known brand. It further informed that well-known companies will be in more advantageous position by issuing a denial response when negative rumors break out about them.

FUTURE RESEARCH

This research leads to a number of avenues that offers potential for additional investigation.

First, future research should explore boundary conditions, other than brand familiarity, that may explain why refutation strategies cannot always curb rumor transmission successfully. It may be possible that the effectiveness of refutation strategies depends on the age of the rumor. Rumors which have been floating around for many years may already have formed strong belief in the minds of consumers in favor of these stories. Once an impression about a brand is formed based upon these unreliable stories, it may become very difficult for the management to change it. On the contrary, consumers are likely to have much less exposure to a relative new rumor on a brand and thereby, are less likely to have formed any opinion regarding its truth value. Accordingly, pre-existing judgment about the rumor is less likely to influence processing of information included in the denial statement for a relatively new rumor compared to that of an old rumor. Future research should examine whether age of the rumor may moderator the relationship between denial statements issued against rumors and intention to transmit.

Second, it is important for marketers to know how companies can motivate consumers to evaluate the rumor content in terms of its information value. Kamins Folks and Perner (1997) found that labelling the content as rumor decreased its credibility and transmission to others. Rumor, as a label, has negative connotations associated with it and is perceived unfavourably. While this can be one possible strategy to combat rumors, rarely information is presented to consumers with labels. In addition, the effect of labeling may not be equally strong if the party labelling the content as rumor is the company accused by it. Information labelled as rumor by independent third party or other consumers may add more credibility compared to when it is done by the company. Apart from labeling, increasing the transmitter's moral hazard may help curb transmission of false rumors (Frenzen and Nakamoto, 1993). Consumers may perceive higher moral hazard in a communication context when they are held accountable for their communication behaviour and there is potential for future interaction with the recipient. It is plausible that consumers would pay more attention to the information value of the rumor when moral hazards are high and salient. Consumers may also be made more careful about transmission of rumors by making them informed about the potential consequence a company may go through (e.g. lost sale) for transmission of false rumors. Future research should explore of these possibilities as ways to make consumers more accuracy oriented while transmitting information on brands.

Finally, it is important to explore the role of familiarity between the transmitter of rumor and the recipient as well as gender of the recipient in transmission of rumors. Consumer experience heightened self-presentation goals when interacting with someone less familiar and/or of opposite sex (Leary et al., 1994). It is plausible that similar effects of familiarity and gender will be observed in the context of transmission of brand related information. Gender of the audience also influences how information is shaped before sharing. Transmitters highlight different details of the story depending on the gender composition of the audience, i.e. all-female, all-male or mixed gender audience (Sugiyama, 1996). It would be interesting to examine how gender influences transmission of rumor as well as refutation information. Future research should also identify other audience related characteristics that may influence rumor transmission.

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