

Do copyright strikes matter to social media influencers? Understanding consumers' moral reasoning toward the influencer accused of trademark infringement

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Introduction. Trademark infringement occurs when a registered trademark's exclusive rights are violated without the owner's permission (Dogan & Lemley, 2006). The use of social media platforms has increased the risk of trademark infringement for businesses, especially when collaborating with social media influencers (SMIs) who may use images or phrases without permission. Negative media coverage of trademark infringement accusations leads to consumers' moral reasoning processes denouncing the brand and SMIs (Grabe, 1999). While research has extensively examined the impact of product harm crises on SMI marketing, little investigation has been conducted into trademark infringement. Therefore, this study aims to investigate consumers' moral reasoning strategies toward SMIs' brand crisis based on brand ownership status (SMI-owned vs. SMI-endorsed; study 1) and examine its influence on consumer responses according to the crisis type (Trademark infringement vs. Product harm; study 2).

Literature Background. SMIs' brand ownership has been categorized into two ways: (a) SMI-owned brand (SOB) and (b) SMI-endorsed brand (SEB; Singh & Pandey, 2017). SOB is a brand owned by the influencer, while SEB is promoted by the influencer through an endorsement contract (Singh & Pandey, 2017). When SMIs are accused of trademark infringement, consumers may experience cognitive dissonance between their ethical standards and their support of the influencer. The Moral Reasoning Strategy (MRS) can explain how consumers use different moral justification processes: (a) Rationalization (MRR; minimizing the ethical violation), (b) Decoupling (MRD; separating ethical standard from influencer's behavior), and (c) Coupling (MRC; applying ethical standards to influencer's behavior; Lee & Kwak., 2016). Consumers with strong moral identities aligned with a brand's values feel more morally implicated by SMIs' trademark infringement accusations than those with rationalization or decoupling strategies (Reed et al., 2007). This effect can result in stronger negative behavior intentions for owned brands than for endorsed brands (Zhou & Whitla, 2013). Thus, we posit the hypothesis.

H1. When the SMI-owned brand (vs. SMI-endorsed brand) is accused of trademark infringement, consumers in the moral coupling strategy (MRC) will have lower subscription and purchase intentions compared to those in decoupling or rationalization strategies (MRR/MRD).

In the context of SMIs' brand, product harm occurs when a product causes harm to consumers, resulting in negative publicity and behaviors (Yakut & Bayraktaroglu, 2022), while trademark infringement occurs when an SMI uses a registered trademark without permission (Dogan & Lemley, 2006). Compared to product harm, consumers are less morally engaged with copyright issues (Liu, 2002), but they can be more morally engaged in trademark infringement cases when there is a perceived alignment between SMIs and their owned brands. Enhanced moral reasoning leads to negative experiences and decisions (Kintu & Ben-Slimane, 2020), such as regret and negative word of mouth toward the SMI. Thus, we posit the hypotheses.

H2: In the trademark infringement situation that occurs, the perceived moral coupling will be greater for the owned brand (i.e., SOB) compared to the endorsed brand (i.e., SEB). In the product harm situation, consumers will perceive moral coupling greatly regardless of the ownership status.

H3: In the situation of trademark infringement (vs. product harm), the negative influence of the SMI-owned brand (vs. SMI-endorsed brand) on the negative word-of-mouth intention will be serially mediated through the perceived moral coupling followed by perceived regret.

Method and Results. Study 1 recruited 200 female respondents ($M_{age} = 29.6$) from Amazon Mturk. They were randomly assigned to one of two situations (SOB vs. SEB), saying that a mega beauty SMI (Huda) is accused of trademark infringement while collaborating with a famous cosmetic brand (MAC). All participants are followers of the SMI. After reading the scenario, participants chose one of the moral reasoning strategies ($N_{MRR}=63$, $N_{MRD}=69$; $N_{MRC}=68$). They were asked about the measure (subscribe intention, purchase intention) with manipulation check and demographics (Hu et al., 2017; Lee & Kwak, 2016; Chiu et al., 2009).

In study 1, the between-subject experimental design was conducted with a three (MRS: MRR vs. MRD vs. MRC) by two (Ownership status: SOB vs. SEB) interaction. It showed a significant interaction effect between MRS and ownership status on subscribe interaction ($F_{(2, 194)} = 3.36, p < .05$) and purchase intention toward SMI ($F_{(2, 194)} = 3.13, p < .05$). In the SOB situation, consumers who are in MRC strategies showed the lowest subscribe intention ($M_{MRC} = 4.34$, $M_{MRR} = 4.99$, $M_{MRD} = 5.51, p < .01$) and purchase intention ($M_{MRC} = 4.18$; $M_{MRR} = 5.04$ and $M_{MRD} = 5.39, p < .01$) compared to those with MRR and MRD. Thus, H1 was supported.

Study 2 recruited 237 female respondents ($M_{age} = 32.17$). The between-subject experiment with a two (Ownership status: SOB vs. SEB) by two (Crisis type: Trademark infringement vs. Product harm) was developed. Participants were randomly assigned to one of four scenarios and asked

about the measures (MRC, perceived regret, and negative word of mouth). Unlike study 1, we measured perceived MRC and added the construct as a mediator explaining perceived regret and negative word-of-mouth intention (Model 83; PROCESS, Hayes, 2018). As a result, there was a significant interaction on perceived MRC ($\beta=.71$, 95% CI [.24; 1.19]). This shows that in the trademark infringement situation, perceived MRC was greater in the owned brand situation compared to the endorsed brand ($M_{SOB}=5.33$, $M_{SEB}=4.83$, $p < .001$; H2 accepted. In addition, in the product harm situation, perceived MRC was not significantly different across SOB and SEB situations. Finally, we found the serial mediation effect of ownership (SOB vs. SEB) on the negative word of mouth followed by perceived MRC and regret in the condition of trademark infringement ($\beta=.37$, 95% CI [.11; .69]; H3 accepted).

Conclusions. Findings suggest empirical scholarly evidence that negative public responses to SMIs' trademark infringement can be severe when the SMI owns the brand. However, when SMIs are brand ambassadors, consumers may show less moral engagement. These findings have implications for brand managers and SMIs to consider potential negative consequences and brand alignment when developing marketing strategies collaborating between brands and SMIs.

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