

When do Sweatshop Allegations Negatively Impact Brands? An Entitativity-based Account for Moderators

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Significance. Sweatshop allegations impose a discernable negative effect on brands that causes reduced sales and hurts stock prices (Bartley & Child, 2012). Sweatshop allegations not only dampen the alleged brand, but also the other brands of its type. The purpose of this study is to understand how consumers react to different brand-types (luxury and non-luxury) and product-classes (symbolic and functional) in the presence of sweatshop allegations. We operationalize sweatshop allegations at two levels: brand-specific (when the stimulus brand is accused) and industry-specific (when other brands of the same industry as the stimulus brand are accused) to illustrate the role that ‘entitativity’ plays in moderating consumer response.

Theory and Literature. Entitativity refers to the perception of unity and coherence in a group (Campbell, 1958). When groups are perceived as entitative, perceivers are more likely to make dispositional evaluations about the group as a whole (Lickel et al., 2000). However, when group members are not entitative, each member is more likely to be accountable for his or her actions. Given that luxury brands are perceived as an entitative prestige group (Geiger-Oneto et al., 2012), every individual apparel luxury brand will share the blame if other brands in the same prestige group are accused of sweatshop exploitation. On the other hand, users of non-luxury apparel brands are perceived individually and hence, will not be blamed as a whole. Similarly, users of symbolic products are more homogeneous in their goals related to self-enhancement and group membership (Park et al., 1986), hence, symbolic product classes can be considered entitative, sharing group blame. In contrast, users of functional products are not motivated by group membership, hence, not perceived as entitative. We therefore hypothesize that industry-specific allegations are likely to hurt brand attitudes for luxury apparel brands and symbolic products to a greater extent than non-luxury apparel brands (H1a) and functional products (H1b). By the same token, consumers’ pre-existing knowledge about luxury brands and symbolic products is inherently positive; thus, according to biased assimilation theory (Kunda, 1990), perceivers are more likely to interpret negative information about luxury brands and symbolic product classes with a positivity bias. Based on this account, brand-specific sweatshop allegations will hurt brand attitudes for non-luxury apparel brands and functional product classes more than luxury apparel brands (H2a) and symbolic product classes (H2b).

Method. This study employed two Internet experiments with the same participants at the same time with: a) 2 (brand type: luxury vs. non-luxury) x 2 (sweatshop allegation: brand-specific vs. industry-specific) and b) 2 (product class: symbolic vs. functional) x 2 (sweatshop allegation: brand-specific vs. industry-specific) between-subjects factorial design. A total of 110 and 162 university student consumers participated in the pre-test and main study, respectively. Brand-type and product class were manipulated through pre-tested descriptions of luxury/non-luxury apparel brands and symbolic/functional fragrance products with the same fictitious brand

name. Sweatshop allegation conditions were manipulated through fictitious newspaper articles. In industry-specific allegation condition, two known apparel brands (luxury or non-luxury) were accused, and two known fragrance brands (perfume for symbolic brand and deodorant for functional brand) were accused. In the brand-specific allegation condition, the fictitious stimulus brand was accused directly for its exploitation. Brand attitude toward the fictitious luxury/non-luxury apparel brand and symbolic/functional fragrance product was measured using 4 items on 7-point semantic differential scales adopted from a previous reliable measure.

Results. In the main experiment, brand type manipulation was successful ($F_{(1, 144)} = 70.5$, $p < .001$). Manipulation of product class was also successful ($F_{(1, 144)} = 11.8$, $p = .001$). Pearson Chi-square test produced a significant difference between two allegation conditions ($\chi^2 = 7.9$; $p = .005$), thus this manipulation was successful. Hypothesis testing produced a significant interaction effect for brand type and sweatshop allegation type on brand attitude ($F_{(1, 141)} = 12.26$; $p = .001$). Specifically, when the allegation was industry-specific, consumers' attitude towards the luxury brand was significantly lower than the non-luxury brand ($M_{\text{luxury}} = 3.55$, $M_{\text{non-luxury}} = 4.41$, $p = .001$). However, when the allegation was brand-specific, consumers' attitude towards the non-luxury brand was significantly lower than the luxury brand ($M_{\text{luxury}} = 3.26$, $M_{\text{non-luxury}} = 2.41$, $p = .021$). Thus, H1a and H2a were supported. Additionally, there was a significant interaction effect for product class and sweatshop allegation type on brand attitude ($F_{(1, 141)} = 8.3$, $p = .005$). When the allegation was industry-specific, consumers' attitude towards the symbolic product was significantly lower than the functional product ($M_{\text{symbolic}} = 3.54$, $M_{\text{functional}} = 4.54$, $p = .002$), supporting H1b. When the allegation was brand-specific, consumers' attitude supported the entitativity concept, however it was not statistically significant ($M_{\text{symbolic}} = 3.28$, $M_{\text{functional}} = 2.88$, $p = .25$). Thus, H2b was not supported.

Implications. While entitative brands and product classes are negatively impacted when the sweatshop allegation is industry-specific, our findings also demonstrate that entitativity benefits the same brands and product classes when the allegation is brand-specific. These results provide insights to brand managers that it is critical to understand customer-brand relationships from the perspective of entitativity to take necessary measures in context to sweatshop allegations that are industry-specific, i.e., targeted to other brands of the same industry

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