

# **Parents' Debts, Children's Obligation? The Effect of Similarity on Consumers' Boycott of Parent and Subsidiary Corporation**

## **Abstract**

This study focuses on consumer boycott behaviors toward the parent and subsidiary corporations of a conglomerate when a wrongdoing affects the conglomerate. The results indicate that the similarity of the parent and subsidiary corporations generates assimilation or contrast effects, which influence consumers' perceptions and their boycotts one or both corporations.

## **Extend abstract**

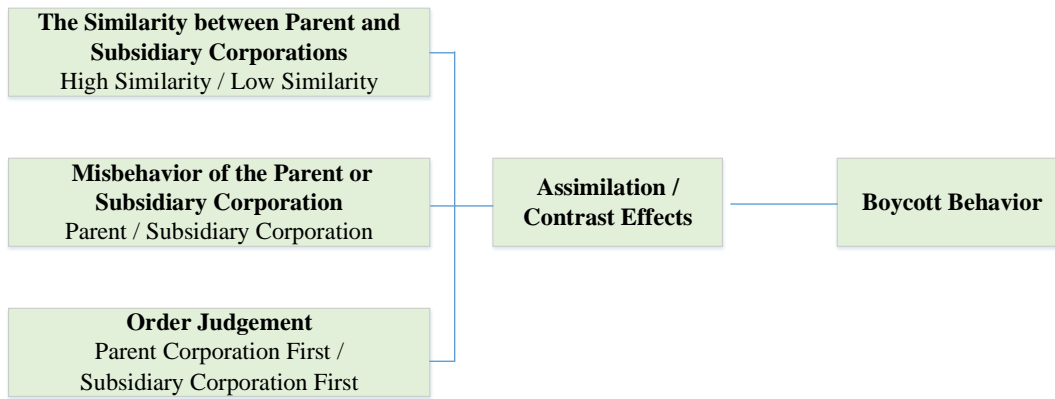
Consumer boycotts have drawn scholars' attention in the past few decades. Initial studies related to consumer boycotts analyze boycott initiators, the development history of boycott, and boycott classifications (Friedman, 1985, 1995). Subsequently, some scholars begin conducting empirical studies to explore the effects of consumer boycotts (Miller and Sturdivant, 1977; Klein, Smith, and John, 2004) and open discussions about the motivations for and behaviors related to boycotts (Sen, Gürhan-Canli, and Morwitz, 2001).

In 2015, an event shocked the entire world. Volkswagen Group admitted that they installed illegal software on 11 million vehicles worldwide so that their cars could pass exhaust emission tests. The company's market value dropped by approximately US\$33 billion in 2 days. After the event, consumers not only distrusted the company but also began to boycott affiliated firms such as Volkswagen, Audi, and Porsche. However, consumers rarely call for a boycott against subsidiary companies such as Volkswagen Bank and Financial Services.

This study was inspired to explore whether consumer boycott behaviors are induced by the similarity between parent and subsidiary corporations. Tversky (1977) proposes that common features increase a perception of similarity; conversely, distinctive features reduce similarity and increase dissimilarity. This feature overlap is further explored by scholars. If the extent of feature overlap is high, the assimilation effect occurs; however, if the extent of feature overlap is low, the contrast effect occurs (Herr, Sherman and Fazio, 1983; Herr, 1986; Levin and Levin, 2000).

Consumers may have different boycott behaviors toward parent and/or subsidiary corporations. However, studies rarely focus on parent and subsidiary corporations when exploring consumer boycott. Therefore, the purpose of this study is to investigate the target company to boycott when consumers facing corporate misbehavior and its mechanism underlying their decisions, whether the similarity between parent and subsidiary corporations generates assimilation or contrast effects leading to different consumer boycott choices.

## Conceptual Framework



## Method

A total of 69 college students participated in the pretest to validate the manipulation checks on the similarity between parent and subsidiary corporations. The stimulation in the pretest is further used in the final questionnaire, and the respondents are requested to read the scenario of the conglomerate and the misbehavior manipulations. This study employed a  $2 \times 2 \times 2$  between-subject design experiment. (a) the similarity between the parent and subsidiary corporations: high similarity—the parent and subsidiary corporations are in the same industry (sell coffee / tea beverages); low similarity—two corporations are in different industries (sell coffee / cleaning products); (b) misbehavior of the parent or subsidiary corporation; and (c) order arrangement (evaluate parent corporation first or subsidiary corporation first).

## Result

A total of 245 valid questionnaires are collected. First, manipulation checks on items, such as on the similarity between parent and subsidiary corporations, and the order effect is confirmed to be nonexistent. This study measures the changes in respondents' attitudes and purchase intentions toward the two corporations before and after the news event about corporate misbehavior. The results show that the interactions effects are significant ( $F=20.76$ ,  $p<0.001$ , see top panel of figure1). That is, if the two corporations are highly similar, the respondents regard the two as being associated and boycott both corporations at the same time (after the corporate misbehavior, the difference between consumers' attitudes toward the two corporations and their purchase intentions is smaller, and the line is relatively flat), causing an assimilation effect. If the similarity between the two corporations is low, the respondents do not regard the two corporations as being associated and only penalize the corporation that has wrongdoing (the difference in value is large, and the line is steep), resulting in a contrast effect.

As for the measurement of boycott behaviors, this study not only asked respondents' attitude and intention to boycott both parent and subsidiary corporations, but also asked them to choose free samples from each company as our appreciation for their participation of the study. This is a more direct way to reflect respondents' boycott behavior. The result showed that when the two corporations are not similar (LS), the respondents select the free sample from the corporation that have no misbehavior (when subsidiary corporation with misbehavior, more respondents choose coffee; when parent corporation with misbehavior, more respondents choose tea or cleaning product). This result is in line with expectations (see bottom panel of Figure1).

However, contradictory to our expectation, when the similarity between two corporations is high (HS), more respondents chose neither of free sample from parent corporation (coffee) nor subsidiary corporation (tea or cleaning product) and few respondents select the free sample from the corporation that has misbehavior. This conflict result may be due to some respondents do not drink coffee. Consequently, the results may be influenced by the product used in this study.

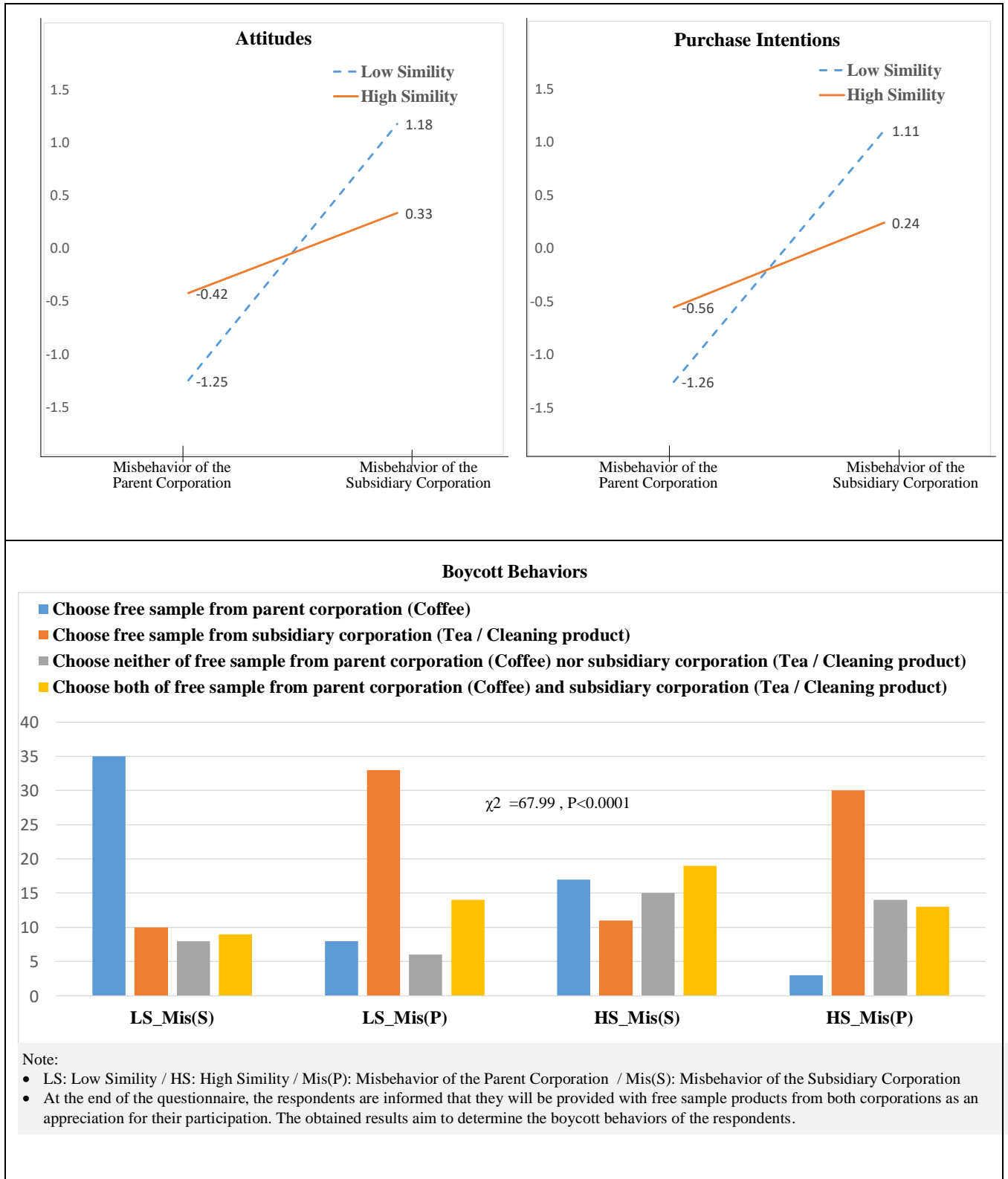


Figure 1: Research result of attitudes, purchase intentions and boycott behaviors

## Conclusions

This study conducted empirical research on an existing social phenomenon and examined that consumers boycott parent and or subsidiary corporations based on the similarity between parent and subsidiary corporations. If the similarity is high, consumers are prone to simultaneously boycott both corporations regardless of which one is to blame. If the similarity is low, consumers tend to boycott only the corporation with wrongdoing. This study suggests that the motives of consumer boycotts be considered in the future to assist conglomerate in adopting effective communication strategies when facing crisis events.

## Reference

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