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Assessing crisis spillover risks: The role of perceived severity and corporate response effectiveness in China

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Abstract

Although the spillover effect of crises represents an emerging area of interest within crisis communication studies, the perspective of consumers on the risk of crisis spillover as a result of corporate misconduct by another company remains under-explored in emerging markets like China. This study aims to fill the void through assessing how the severity of a crisis and the strategic responses by companies influence consumer perceptions of spillover risks from corporate misconduct by another company. A pre-test ($N = 120$) determined two corporate misconducts as characteristic for the automotive industry in China. These scenarios were utilized in an online experiment ($N = 320$) to examine the effects of two crisis response strategies (issuing a denial vs. giving no response) by a competitor automaker. The results reveal that when a corporate misconduct is perceived as more severe, the perceived crisis spillover risks to the industry is higher; this perceived risk mediates the impact of crisis severity on negative word-of-mouth. Issuing a denial is more effective than giving no response, and leads to more positive consumer outcomes. This research unravels the complex dynamics at play in shaping consumer attitudes towards companies indirectly impacted by a crisis through a spillover effect.

KEYWORDS

consumer perceptions, corporate misconduct, crisis response, crisis severity, spillover effects, word-of-mouth

1 | INTRODUCTION

Crisis spillover risks refer to the likelihood of events in an external organization creating concern, uncertainty, or perceptions of harm for another organization (Veil et al., 2016). The concept of spillover has previously been examined in the field of Marketing. For example, Ahluwalia et al. (2001) found that “when consumers are not familiar with a brand, negative information spills over to attributes that are associated with the target attribute but not mentioned in the message.” However, research on

crisis spillover from a communication perspective is rather limited.

In a cross-disciplinary review of crisis spillover literature, Wang and Laufer (2024) found that “various fields view crisis spillover as a risk for an organization in the sense that stakeholders may regard a crisis occurring at another organization as happening at their organization” (p.2). When a crisis spillover occurs, a company can be linked to a crisis that is affecting another company such as a competitor in the same industry, and the negative consequences of crisis spillover can be significant when stakeholders make assumptions of

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guilt by association (Laufer & Wang, 2018). For example, during the Volkswagen emissions crisis, investors linked Volkswagen's competitors (BMW and Daimler) to the crisis even though there was no evidence of wrongdoing, causing BMW's and Daimler's share prices to fall (Bouzzine & Lueg, 2020). In an age of social media, a crisis spillover effect is of particular concern because of the speed by which a crisis can spread from one organization to another. Social media platforms enable rapid dissemination of information, allowing news of a crisis to reach a wide audience almost instantaneously. This accelerated spread can amplify the impact of the crisis and increase the likelihood of it affecting other organizations within the same industry (Mehta et al., 2020). Given the complexity and the importance of mitigating crisis spillover risks, in the Editorial of the recently published special issue on crisis spillover in the *Public Relations Review*, Laufer and Wang (2024) stated that future research on this topic is highly encouraged to enrich the academic discourse and offer practical insights, thereby "contributing to the resilience and sustainability of organizations in the face of crisis spillover risks" (p.2).

While the spillover effect of crises has become an emerging research topic in the field of crisis communication, little attention has been given to how consumers respond to the risk of crisis spillover due to a corporate misconduct of another company in emerging markets like China. Understanding consumer response in such contexts is crucial, as China's unique socioeconomic landscape and its rapidly evolving market dynamics significantly influence consumer behavior and crisis communication effectiveness (Wang & Laufer, 2020; Zhao, 2013). In China, consumer trust is generally lower compared to many Western markets, primarily due to a history of high-profile scandals and perceived inadequacies in regulatory enforcement (Wang & Laufer, 2020). This overall distrust implies that when one company within an industry is involved in a crisis, consumers are more likely to generalize the negative perceptions to other companies within the same sector, referring to the reputation commons issue posited in King et al. (2002). The rapid spread of information via social media may further amplify this effect, as Chinese consumers quickly share and react to news, often without distinguishing between individual companies' responsibilities. The context heightened by the distrust and skepticism among Chinese consumers underscores the importance of effective crisis communication strategies that address the implications of industry-wide crisis spillover risks. Moreover, China's position as a global economic powerhouse means that the repercussions of crisis spillover can extend far beyond its borders, affecting international markets and global brand reputations. This research, therefore, not only fills a critical gap in crisis communication literature by assessing perceived crisis spillover risks as a new construct operationalized in an underexplored context but also provides essential insights for multinational corporations operating in or with China. By analyzing consumer perceptions of crisis spillover in China, this study offers guidance for developing more effective crisis management strategies that can mitigate the adverse effects on consumer trust and loyalty, thereby safeguarding both local and global brand reputation.

In addition to further understanding the spillover effect of crises in China, this study also examines the perceived severity of a crisis—a construct that, while extensively studied in crisis communication literature, has largely not been examined in the context of spillover crises. In previous literature, the perceived severity of a crisis has been found to influence consumer attributions of blame in product harm crises (Laufer et al., 2005). Laufer et al. (2005) found that as the perceived severity of a crisis increases, more blame is assessed to a company during an ambiguous product harm crisis where there is uncertainty around the cause of the crisis. This study also examines whether the perceived severity of a crisis adversely impacts a company, in our case involving consumers' judgments of crisis spillover risks.

To summarize the objectives of this research, we aim to identify the mechanisms underlying consumers' judgments of crisis spillover risks and assess the effectiveness of different crisis response strategies on consumers. Drawing on defensive attribution theory, protection motivation theory, and a reputation commons perspective, the current research addresses *how crisis severity and corporate response strategies affect consumers' perceptions of crisis spillover risks and their word-of-mouth in China*. Employing the three theoretical perspectives helps comprehensively understand the underlying mechanisms driving consumers' attitudes and behavioral intentions toward crisis spillover risks and corporate responses. This multi-theoretical approach allows us to capture the complexity of consumer reactions in crisis spillover contexts, offering a nuanced and insightful understanding of the factors affecting the decision-making of consumers.

2 | THEORETICAL FRAMEWORK

2.1 | Crisis spillover risks and reputation commons

Commons problems have been studied extensively in management literature, but mainly with a focus on common pool resources (Ostrom, 1990). It refers to firms affecting a common resource and in turn suffer from the depletion of this resource directly (King et al., 2002). A typical example is that fishermen are directly harmed if some of them overfish in one region. In this case, to determine the impact of each fishermen's overfishing behavior on the common pool resources requires a significant amount of information by stakeholders. When stakeholders lack such information, or it is too costly to acquire, they tend to treat fishermen as a group that have collectively harmed a common resource. This points to a different type of commons that has been relatively underrepresented in previous literature – the reputation commons.

Because stakeholders may not have the information or resources to differentiate between companies, all companies recognized by stakeholders in one group may share a common threat of sanction. As a result, one company's behavior can affect the reputation of another and even the group as a whole. King et al. (2002) argued that when stakeholders are able to act against firms, "a reputation commons becomes a

reputation commons problem" (p.395). This is particularly relevant to the crisis context in the sense that one company's misconduct can be judged by stakeholders as a commons problem of companies belonging to one group and thus stakeholders tend to sanction all companies in the category. The relevance of the crisis context is driven by several reasons. First, stakeholders often face information asymmetries (i.e. a situation where stakeholders lack sufficient or accurate information to evaluate and differentiate the behaviors of corporations when assessing crisis scenarios). to distinguish corporate behaviors when assessing crises scenarios. It is not easy for them to assess whether other companies committed misdeeds that are comparable to that of the company in crisis. Second, stakeholders may not have the required level of knowledge or expertise to measure the impact of the individual companies' actions on the pooled resources adversely impacted by a crisis. Furthermore, even if the information is available and stakeholders have sufficient levels of knowledge or expertise, due to the complexity of a crisis situation, stakeholders may still be unable to properly differentiate corporate-level cause and effect, and thus a reputation commons problem may still exist.

King et al. (2002) asserted that when one company's misconduct affects the judgements that consumers make of another company or an industry as a whole, a commons arises. The reputation commons intertwines the fates of companies in the same industry. Thus, when one company is involved in corporate misconduct that damages the industry's shared reputation, others can suffer as well (Barnett & King, 2008). Pursuing this line of reasoning, we argue that a corporate misconduct of one company can be perceived by consumers to also be occurring in the entire industry, thereby affecting their perceptions and word-of-mouth toward other companies in the industry. Different crisis response strategies by another company in the industry may then lead to reduced levels of perceived crisis spillover to that company.

2.2 | Crisis severity and the defensive attribution theory

Situational crisis communication theory (SCCT) has become a dominant theory in the crisis communication literature, with most research focusing on variables such as crisis type (Coombs & Holladay, 2002), crisis responsibility (Brown & Ki, 2013), crisis history (Coombs, 2004) and prior reputation (Timothy Coombs & Holladay, 2006). However, relatively few researchers have looked at crisis severity as a key variable to consider in SCCT. This is surprising, since Coombs (1995) and Zhou and Ki (2018) suggested that crisis severity is an important variable affecting crisis responsibility attribution. Severity can be defined as "the amount of damage generated by a crisis including financial, human, and environmental damage" (p.169). The definition highlights that severity is not only restricted to physical harm, and it can also involve other types of losses. Despite the relatively few studies examining severity in SCCT, the impact of severity has been established in the literature on the defensive attribution hypothesis from the field of psychology, which also has implications for reputation commons.

With regard to the defensive attribution hypothesis, the adverse effect of the severity of a crisis on a company has previously been found in the literature. For example, Laufer and Gillespie (2004) applied the defensive attribution theory to a product harm crisis and found that consumers blame the company more when the perceived severity of a crisis increases. In essence, the defensive attribution theory explains how the responsibility attribution process can be influenced by the severity of an outcome in negative events (Walster, 1966). When the severity of the outcomes is perceived high, people can attribute more responsibility to the perpetrator (Zhou & Ki, 2018). However, it is worth noting that based on the defensive attribution hypothesis this depends on the similarity of observers to the victims of a crisis. If the observer is similar to the perpetrator, then he or she will be more likely to blame the victim because of blame avoidance. If, on the other hand, the observer is more similar to the victim, he or she will be more likely to blame the perpetrator because of harm avoidance (Shaw & McMartin, 1977). According to Laufer and Gillespie (2004), in the case of consumers as victims during a crisis, observers are more likely to assess blame to the company because they are also consumers and more likely to view themselves as similar to the victims (as opposed to the company). In assessing blame they are motivated by harm avoidance, and not blame avoidance.

As previously mentioned, as attributions of blame to the company increases because of harm avoidance of observers to the crisis (other consumers), a company's reputation is further damaged. The more damage to a company's reputation, the greater the harm to the industry's reputation based on reputation commons. A similar process occurs with perceived severity and perceived crisis spillover risk. As the perceived severity of the misconduct increases, the perceived likelihood of misconduct at the industry level increases as well. This is consistent with the process of reputation commons, where the greater the harm to a company's reputation, the greater the harm to the industry's reputation (Barnett & King, 2008). As a result of the perceived increase in risk at the industry level, consumers will believe that their company's risk has increased as well. Similar to reputation commons where the reputation of an industry is influenced by the reputation of its members, the perceived risk of negative events in an industry (in this case, the perceived likelihood of misconduct), is influenced by the perceived risk of events at a company in an industry. Based on the above, the first hypothesis is proposed:

- H1.** When a corporate misconduct is more severe for the industry, the perceived crisis spillover risks to the industry is higher among consumers in China.

2.3 | Crisis spillover risks, negative word of mouth, and protection motivation theory

Protection motivation theory (PMT) can be used to explain the impact of crisis spillover risks on people's perceptions and behaviors, since it is a framework that explains the impact of fear appeals and

can be employed to understand the cognitive processes of behavior change in crisis contexts (Rogers et al., 1983). The theory has been widely used to develop and evaluate persuasive communications, particularly in marketing and communication literature (see e.g., Arthur & Quester, 2004; Cox et al., 2004; Tunner et al., 1989). Essentially, it posited that if negative events evoke fear, people will be motivated to reduce this emotional state. Based on PMT, people will follow recommendations to reduce their level of fear if the advice is judged as effective in reducing the threat, and they are able to implement the recommendation. On the other hand, if the recommendation does not necessarily result in a reduction of fear, people may engage in alternative coping responses such as avoidance, rather than following the recommendation.

The severity of a negative event has been found by researchers to be a key variable in the effectiveness of a fear appeal according to PMT. The perceptions of a negative event's severity, impacts people's intentions to follow behavioral advice (i.e., protection motivation). Given that protection motivation "arouses, sustains, and directs activity" (Rogers, 1975, p.94), severity can be viewed as the proximal determinant of protective behavior. This implies that when the severity of a negative event is high (i.e., the consequences are significant), people are more likely to perceive themselves as vulnerable to that event, and in turn, more inclined to take actions that will protect themselves and others from harm (González-Castro et al., 2021). Since negative word of mouth is a typical coping response available to individuals to deal with negative events and can help protect themselves and others facing threats (Xiao et al., 2018), we posited that perceived high crisis spillover risks to the industry due to a high crisis severity will result in consumers' negative word-of-mouth toward the crisis. This theoretical prediction is summarized in the second hypothesis.

H2. When perceived crisis spillover risks to the industry is high, consumers' negative word-of-mouth toward the crisis is more negative among consumers in China.

2.4 | The mediating role of crisis spillover risks

In summary of what has been discussed above, as crises become more severe, they not only adversely impact the company directly affected by the crisis, but also have the potential to impact the broader industry. This spillover effect is perceived as an increased risk across the industry (Laufer & Wang, 2018), which aligns with the defensive attribution theory and reputation commons perspective where the damage to one company's reputation affects other companies in the same industry as well (Barnett & King, 2008; King et al., 2002). According to PMT, with an increased perception of spillover risk, consumers feel a heightened sense of fear and vulnerability, prompting their protective behavior such as negative word-of-mouth, which serves as a coping mechanism to manage the perceived threat and protect oneself and others (Arthur & Quester, 2004; Cox et al., 2004). Combining these two perspectives,

we believe that the perceived crisis spillover risks mediate the relationship between perceptions of the severity of the crisis and the resulting consumer behavior (i.e., negative word-of-mouth). As consumers process the severity of the crisis, their perceptions of spillover risks shape their attitudes and behavioral intentions accordingly. This mediating role of crisis spillover risks explains how the internal cognitive processes and external behavioral responses are connected. Therefore, we hypothesize that:

H3. The perceived crisis spillover risks to the industry act as a mediator in the relationship between crisis severity and consumers' negative word-of-mouth in China.

2.5 | Effects of response strategies: issuing a denial versus giving no response

The aforementioned mediation effect suggests that crisis communication aimed at reducing perceived spillover risks may effectively diminish the propagation of negative consumer reactions. By addressing both the cognitive appraisal of risk and its subsequent behaviors, crisis communication can help mitigate the reputational damage extending to the industry level. Needless to say, effective crisis communication is dependent on a proper choice of response strategies. As argued by the SCCT, crisis response strategies play a pivotal role in protecting corporate reputation in crises, and the key is to choose the appropriate crisis response strategy (Coombs, 2006). The SCCT further distinguished crisis response strategies from instructing information (i.e., what stakeholders need and want to know after a crisis hits) in the sense that the former is optional, and the latter is a must.

According to the SCCT, one basic option for using crisis response strategies is to establish that no crisis exists—the deny response option (Coombs, 2006). This is particularly relevant in the context of crisis spillover risks. When companies not involved in a crisis detect spillover risks in their industry, having a deny response demonstrates their intention to 1) prove no crisis exists in their companies and 2) they are not responsible for the crisis currently occurring. In turn, this optional response strategy can help eliminate the reputational threat presented by a crisis (Coombs, 2006). Laufer and Wang (2018) argued that when the likelihood of crisis spillover is high, it is important that other companies in the same industry issue a denial to mitigate the spillover risks. This has been empirically tested, for example, Zhang and Lim (2021) and Zhang and Lim (2024) found that issuing a denial helps a company in an industry experiencing crisis spillover. Similarly, when studying the negative spillover effects of brand's food-safety crisis on an entire industry, Chang (2023) concluded that an innocent brand's response served to overcome the negative effect of crisis spillover by recovering the consumer's deteriorated beliefs about the brand. However, in real-world scenarios, companies might choose to remain silent when facing crisis spillover risks for various reasons, such as insufficient information or strategic considerations. In other words, taking no response can be a deliberate choice aimed at avoiding attention to be associated with the crisis. For example,

Laufer and Wang (2018) posited that when the likelihood of crisis spillover is low, this strategy can be useful for distancing a company from the crisis. Therefore, comparing these two strategies—issuing a denial and giving no response—allows us to assess their relative effectiveness and the implications for corporate reputation management. Given that issuing a denial can be useful for eliminating the reputational threat, we predict that when the risk of a corporate misconduct spreading to other companies in the same industry is high, issuing a denial will be perceived by consumers more positively than giving no response. This theoretical prediction is summarized in the fourth hypothesis.

H4. When another company in the industry is involved in a crisis which is featured in the media, issuing a denial is perceived more appropriate than giving no response by consumers in China.

3 | METHOD

To test the hypotheses, a two-step online experiment was employed in this research. First, a pre-test ($N = 120$) was conducted to determine that two types of corporate misconduct are characteristic for the automotive sector in China—bribery and violating employee rights. China's automotive sector was chosen because the sector has experienced various scandals and controversies related to product quality, safety, environmental compliance, and business practices, making it a relevant context for studying such issues (Yuan et al., 2015). Participants were asked to list three types of misconduct that would come to mind once they were thinking of misconduct in China's automotive industry. Results showed that violating employee rights was the most frequently mentioned by participants ($frequency = 80$), followed by bribery ($frequency = 76$). These two scenarios were then used in the main study, an online experiment with Chinese consumers ($N = 320$), to examine the effects of crisis severity, to compare two crisis response strategies by a competitor automaker, and to assess the mediating role of perceived crisis spillover risks to the industry.

3.1 | Stimuli

Each participant was exposed to three stimuli, one regarding crisis type (bribery vs. violating employee rights), one regarding organization type (state-owned vs. private-owned), and the last one involving the competitor automaker's response (issuing a denial vs. giving no response). While the two crisis types were selected based on the pre-test, the choice of the two organization types was inspired by the discussion in Laufer and Wang (2018) that organizational type can be a risk factor of crisis spillover effects and by the differences of state-owned and private-owned companies in China in terms of consumer trust and crisis response strategies explained in Wang and Laufer (2020). At the beginning of the experiment, a short media report about a Chinese automaker's misconduct was presented. For the group with bribery, the media report described that the

largest automaker in China was fined for bribing official to influence industry legislation. And for the group with violating employee rights, the report was about this automaker that was fined for forcing its employee to work overtime. After answering the questions about the misconduct, participants were then exposed to the stimulus that depicted a dialog between two colleagues from another automaker in China about the misconduct of their competitor. For the group with issuing a denial, the colleagues in the dialog indicated that CEO of their company had responded to the misconduct of their competitor in the newspaper, denying that the company had a similar transgression. For the group with giving no response, the dialog revealed that the company did not respond to the misconduct of their competitor.

3.2 | Participants and procedure

Participants were recruited through a professional data collection platform in China called Credamo in November 2023. A total of 320 participants (64.1% female, 75% aged 23–40) were randomly assigned to one of the conditions. After informed consent, participants were exposed to the first stimulus, which was a short media report about the automaker's misconduct. Then they rated scales, including severity, the likelihood of crisis spillover, and intentions for negative word-of-mouth. Next, a dialog between two colleagues from another automaker, was presented. After reading it, participants indicated their perceptions about the appropriateness of crisis response. Finally, participants' car ownership and demographics were collected.

3.3 | Measures

All variables were measured on a seven-point Likert scale (see Table 1). The scale of severity was adapted from Laufer and Gillespie (2004) and measured using three items (e.g., "How serious is the bribery scandal/violating employee rights of the automaker in China in your opinion?", 1 = Not at all serious, 7 = Very serious, 3 items, $\alpha = 0.869$). We chose to measure crisis severity rather than manipulate it in the experiment for two reasons: a) Crises are inherently complex and multifaceted, and their severity is often subjective and influenced by various factors such as personal experiences and cultural context. b) This approach aligns with our focus on consumer attitudes and behavioral intentions, providing insights into how perceived severity influences outcome variables.

The measurement of perceived crisis spillover risks was developed by the authors because no validated scale exists in the existing literature, to our knowledge. Participants were asked to state how strongly they agree or disagree with three statements (e.g., "This corporate misconduct will negatively affect other automakers in China.", "This company's misconduct will have a negative influence on the image of other automotive companies.", and "The company's misconduct will have adverse impacts on people's behavior towards other automotive companies.", 1 = Strongly disagree, 7 = Strongly agree, 3 items, $\alpha = 0.839$).

TABLE 1 Summary of measurement.

Variable	Items	Scales
Severity Including three items; Reference: Laufer and Gillespie (2004); Cronbach's $\alpha = 0.869$, $M (SD) = 5.70 (1.24)$;	"How serious is the bribery scandal/violating employee rights of the automaker in China in your opinion?"	1 = Not at all serious, 7 = Very serious;
	"How severe is the bribery scandal/violating employee rights of the automaker in China in your opinion?"	1 = Not at all severe, 7 = Very severe;
	"How bad is the bribery scandal/violating employee rights of automaker in China in your opinion?"	1 = Not at all bad, 7 = Very bad;
Crisis spillover risks Including three items; Reference: authors of this study; Cronbach's $\alpha = 0.839$, $M (SD) = 5.62 (1.30)$;	"This corporate misconduct will negatively affect other automakers in China."	1 = Strongly disagree, 7 = Strongly agree;
	"This company's misconduct will have a negative influence on the image of other automotive companies."	
	"The company's misconduct will have adverse impacts on people's behavior towards other automotive companies."	
Negative word-of-mouth Including four items; Reference: Hu and Kim (2018); Cronbach's $\alpha = 0.740$, $M (SD) = 5.60 (1.26)$	"I want to express my anger at this automaker because of their corporate misconduct that I believe may be happening."	1 = Strongly disagree, 7 = Strongly agree;
	"I want to inform others about the corporate misconduct that I believe may be happening at this automaker."	
	"The bad corporate behaviors at this automaker that I believe may be happening should be punished."	
	"I want to vent my negative feelings about this automaker because of the corporate misconduct that I believe may be happening."	
Consumers' perceptions Including three items; Reference: Dillard and Ye (2008); Cronbach's $\alpha = 0.950$, $M (SD) = 4.08 (1.87)$	"I think this response is...":	1 = bad, 7 = good;
		1 = ineffective, 7 = effective;
		1 = inappropriate, 7 = appropriate;

The scale of negative word-of-mouth was based on Hu and Kim (2018) and rephrased to fit in this study (e.g., "I want to express my anger at this automaker because of their corporate misconduct that I believe may be happening", 1 = Strongly disagree, 7 = Strongly agree, 4 items, $\alpha = 0.740$).

Consumers' perceptions about the appropriateness of crisis response was measured through three items derived from Dillard and Ye (2008) (e.g., "I think the response is", 1 = bad/ineffective/inappropriate, 7 = good/effective/appropriate, $\alpha = 0.950$). Additionally, participants' car ownership and demographics were considered as control variables, including participants' age and education level. The correlation matrix of measured variables was presented in Table 2, as well as the convergent validity and discriminant validity were presented in Table 3 and Table 4.

4 | RESULTS

To test H1, a linear regression analysis was conducted with severity as the independent variable and crisis spillover risk as the dependent variable (see Table 5). After controlling for demographics, a positive effect of severity on the likelihood of crisis spillover was found

($\beta = 0.171$, $t = 2.977$, $p < .01$). When corporate misconduct is perceived as more severe, it is more likely to harm the reputation of the industry, thus supporting H1. Additionally, no significant effect of the control variables on crisis spillover was found through the regression analysis.

To test H2, a linear regression analysis with consumers' negative word-of-mouth as the dependent variable and crisis spillover risk as the independent variable was conducted (see Table 6). As shown in Table 3, a significant effect of crisis spillover risks on negative word-of-mouth ($\beta = 0.397$, $t = 10.075$, $p < .001$) was found. A higher crisis spillover likelihood increased consumers' intention to generate negative word-of-mouth, thus supporting H2. Besides, no significant effect of the control variable was confirmed through the regression analysis.

To test the mediating role of perceived crisis spillover risks in the relationship of crisis severity and consumers' negative word-of-mouth, Model 4 in the Process macro, as described by Hayes (2017), was used (see Table 7). 5000 bootstrap samples were utilized to estimate the 95% bias-corrected bootstrap confidence intervals for inferences about indirect effects. While controlling for the demographics and consumers' car ownership, the results revealed a significant indirect effect of crisis severity on negative word-of-mouth via crisis spillover risks (*indirect effect* = 0.0617, *BootSE* = 0.0276, 95%

TABLE 2 Correlation matrix of variables.

	Severity	Crisis spillover risks	NWoM	Consumer perception	Car ownership	Age	Edu level
Severity	1.000						
Crisis spillover risks	0.236**	1.000					
NWoM	0.324**	0.473**	1.000				
Consumer perception	0.001	-0.206**	-0.174**	1.000			
Car ownership	-0.047	-0.011	-0.065	0.233**	1.000		
Age	0.051	-0.019	.013	0.104	0.269**	1.000	
Edu level	-0.139*	-0.079	-0.008	-0.034	0.023	-0.003	1.000

* $p < .05$; ** $p < .01$; *** $p < .001$.

TABLE 3 Results of convergent validity analysis.

Factor	Item	Std. estimate	CR	AVE	Goodness of Fit
Severity	SE1	0.833***	0.869	0.689	RMSEA = 0.054 GFI = 0.95 RMR = 0.068 CFI = 0.977 NFI = 0.953 NNFI = 0.969
	SE2	0.813***			
	SE3	0.844***			
Crisis spillover risks	CS1	0.803***	0.841	0.637	
	CS2	0.771***			
	CS3	0.82***			
NWoM	NW1	0.673***	0.749	0.433	
	NW2	0.701***			
	NW3	0.483***			
	NW4	0.745***			
Consumer perception	CP1	0.933***	0.952	0.869	
	CP2	0.951***			
	CP3	0.911***			

* $p < .05$; ** $p < .01$; *** $p < .001$.

TABLE 4 Results of discriminant validity analysis.

	Severity	Crisis spillover risks	NWoM	Consumer perception
Severity	<i>0.83</i>			
Crisis spillover risks	0.16	<i>0.798</i>		
NWoM	0.351	0.494	<i>0.658</i>	
Consumer perception	0.03	-0.187	-0.166	<i>0.932</i>

Note: Numbers in italics are square roots of AVE.

CI [0.0139; 0.1216]), as well as a significant direct effect of crisis severity on negative word-of-mouth (*direct effect* = 0.2272, *se* = 0.0393, 95% CI [0.1499; 0.3046]). It can be concluded that as the corporate misconduct was perceived to be more severe, the likelihood of the crisis influencing the industry's reputation increased, resulting in a higher intention for consumers to generate negative

word-of-mouth. Thus, the mediating effect of crisis spillover risks was confirmed, supporting H3.

To test H4, an independent samples t-test was conducted. The results demonstrated that consumer perception about the appropriateness of crisis response was significantly higher for issuing a denial ($M = 4.642$, $SD = 1.673$) than for having no response ($M = 3.508$,

$SD = 1.767$; $t(318) = -5.891$, $p < .001$ (two-tailed), mean difference = -1.133 , 95% CI: $[-1.512, -0.755]$, the Cohen's $d = 1.721$. For competitors, issuing a denial can effectively improve consumers' evaluation about the crisis compared to keeping salience. Thus, H4 was supported.

TABLE 5 Regression analysis of factors that affect crisis spillover risks.

Predictors	β	SE	t
Age	-0.098	0.066	-1.484
Education level	0.007	0.103	0.071
Organization type	-0.023	0.125	-0.180
Crisis type	-0.138	0.126	-1.094
Severity	0.171**	0.057	2.977
Constant	4.94***	0.578	8.554
N		320	
Adj. R^2		0.021	
F Statistic (df = 5, 314)		2.381*	

Note: Dependent variable: crisis spillover risks.

* $p < .05$; ** $p < .01$; *** $p < .001$.

TABLE 6 Regression analysis of factors that affect negative word-of-mouth.

Predictors	β	SE	t
Age	-0.031	0.047	-0.657
Education level	-0.041	0.073	-0.569
Organization type	-0.032	0.089	-0.363
Crisis type	0.133	0.089	1.501
Crisis spillover risks	0.397***	0.039	10.075
Constant	3.556***	0.401	8.859
N		320	
Adj. R^2		0.239	
F Statistic (df = 5, 314)		21.062***	

Dependent variable: negative word-of-mouth.

* $p < .05$; ** $p < .01$; *** $p < .001$.

TABLE 7 Effects of severity on negative word-of-mouth via crisis spillover risks.

DV	IV	R	R^2	F	Coeff	t
Crisis Spillover Risks	Severity	0.1911	0.0365	2.3806	0.1711**	2.9770
Negative WoM	Severity	0.5687	0.3234	24.9308	0.2272***	5.7796
	Crisis Spillover				0.3608***	9.4783
Negative WoM	Severity	0.3594	0.1292	9.3140	0.2890***	6.5801

* $p < .05$; ** $p < .01$; *** $p < .001$.

5 | DISCUSSION

5.1 | Theoretical implications

The contribution of the current research to crisis communication literature is threefold. First, we extended the reputation commons perspective by exploring how a crisis within one company can spillover to affect an entire industry in emerging markets like China. It helped reveal the mechanisms through which Chinese consumers' perceptions are shaped in the face of crisis spillover risks. The reputation commons perspective set a theoretical foundation of this study. Building on its argument that the reputations of individual companies within an industry are interdependent and a crisis affecting one can potentially tarnish the reputation of others in the industry due to a shared 'reputation commons' (King et al., 2002), our study discovered that the perceived crisis spillover risks are a critical mediator in the relationship between crisis severity and consumers' negative word-of-mouth. By integrating this with the existing reputation commons framework, the study provides a nuanced understanding of how consumers' sanctions extend beyond the immediate offender to other industry players. This is particularly relevant in industries where individual companies' actions and their consequences are not easily discernible by outsiders.

Second, this study advances the SCCT by suggesting that different crisis response strategies employed by companies within the same industry can significantly influence the level of perceived crisis spillover risks. More specifically, issuing a denial is perceived more appropriate than giving no response by consumers in China. This implies that an effective crisis response by one company can mitigate the risks to the industry at large, thereby containing the spillover effects within the reputation commons.

Further, it is worth mentioning that the current study marked one of the first empirical attempts to measure the construct of perceived crisis spillover risks. This approach allows for the integration of crisis spillover risks into existing theoretical models such as the SCCT and PMT. Incorporating empirical measures of spillover risks enables researchers to test and refine these models, offering deeper insights into the dynamics of crisis perception and response. For instance, SCCT can now consider not only crises that impact companies directly, but also crises that impact companies indirectly through secondary effects from industry peers. This will lead to more comprehensive crisis management strategies. Additionally, the

empirical measurement of crisis spillover risks opens avenues for comparative studies across different industries and cultural contexts. This can contribute to the development of theories that account for variations in crisis perception and response, thereby enhancing the predictive power and applicability of crisis communication theories.

5.2 | Managerial implications

Strategic crisis communication for companies aiming to protect their corporate reputation in the face of crisis spillover risks is crucial. This study offers actionable insights for managing and mitigating the impact of corporate misconduct on industry-wide reputation, highlighting the importance of committing to effective crisis response strategies across firms within the same industry. First and foremost, understanding that a corporate misconduct can spillover from one company to others within the same industry highlights the need for enhanced crisis preparedness and readiness (Jin et al., 2024), not only at the company level but also at the industry level. Crisis communication managers should work on developing precrisis plans, possibly including coordinated efforts among various companies within the industry. This could involve sharing best practices, setting industry standards for crisis response, and even joint crisis management training sessions.

Next, given the interconnected nature of reputations within industries and likely overall high crisis spillover risks in China, there is a heightened need for ongoing investment in reputation management capabilities, including regular monitoring of industry trends, stakeholder sentiments, and potential risks that could trigger a crisis spillover. Of particular importance for monitoring activity would be the perceived severity of a crisis, which plays an important role in the spillover effect.

Additionally, since issuing a denial can effectively improve consumers' evaluation in the face of crisis spillover risks, it is crucial for companies to strategically manage the information they disclose while issuing a denial. This not only implies providing clear and consistent information, but also employing differentiation tactics to clarify how their management practices, corporate governance, and ethical standards differ from those that may have led to the crisis in another firm within the industry. While a differentiation strategy is not typically used in crisis communication, it can be valuable in protecting a company not involved in a crisis in the face of crisis spillover risks for several reasons (Zhang & Lim, 2021; Zhang & Lim, 2024): First, stakeholders may struggle to differentiate between the responsibilities and behaviors of the company in crisis and its peers within the same industry, leading to a generalized mistrust across the industry. By employing a differentiation strategy, a company can actively communicate its distinctiveness and distance from the crisis, thereby mitigating the risk of being unfairly tarnished by association. Second, because the differentiation strategy leverages the company's unique attributes and values to create a

clear boundary between itself and the company in crisis, it can be particularly effective in industries with low consumer trust, where the fear of widespread misconduct can amplify crisis spillover effects. Thus, the strategy can be beneficial for shielding companies from the collateral damage of crisis spillover and for protecting corporate reputation when consumers make assumptions of guilt by association.

6 | CONCLUSION

This study examined how the severity of a crisis and the strategic responses by companies influence consumer perceptions of spillover risks from corporate misconduct by another company in China. We found that when a corporate misconduct is perceived as more severe, the perceived crisis spillover risks to the industry is higher; this perceived risk mediates the impact of crisis severity on negative word-of-mouth. Issuing a denial is more effective than giving no response and leads to more positive consumer outcomes. This research unravels the complex dynamics at play in shaping consumer attitudes towards companies indirectly impacted by a crisis through a spillover effect.

Further, the concept of crisis severity, first introduced in SCCT, has been a topic of discussion in the crisis communication literature for over 20 years. This study advances the literature by examining the role of crisis severity in relation to crisis spillover risks. It not only reaffirms the importance of this factor but also introduces new insights related to the mediating role of perceived crisis spillover risks in the relationship of crisis severity and consumers' negative word-of-mouth. We hope the current findings will generate more discussion about SCCT and crisis spillover risks to advance our understanding of crisis complexity and dynamic.

7 | LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

This study contains several limitations. First, although excluding prior perceptions is effective for testing perceptions of crisis spillover risks in an experiment setting, a fictitious crisis and organization may not enable participants to identify who is responsible for the crisis in a real situation (Zhou & Ki, 2018; Ma & Zhan, 2018). As a result, the results generated by the experiment may differ from individuals' reactions in a real crisis. In this study our fictitious scenarios were based on those types of crises that took place in China, however future research could also consider utilizing real crisis scenarios to study crisis spillover risks.

Second, the study only tested two response strategies—issuing a denial and giving no response, whereas in practice, companies can opt for other response strategies enlightened by the SCCT, such as the diminish response (Coombes, 2006). It refers to companies admitting that a crisis is related to them due to a spillover effect, and

trying to change the attributions stakeholders make about the crisis to reduce the reputational damage. This can be achieved through arguing their minimal responsibility for the crisis (i.e., low crisis responsibility), and through claiming the crisis not as serious (i.e., low crisis severity) as stakeholders might think it to be (Coombs, 2006). In the future, crisis communication scholars can examine the value of the diminish response strategy in comparison to the two strategies tested in this study.

Third, while negative word-of-mouth was employed in the current study as a coping response to protect individual consumers and others when facing crisis spillover risks, not every item used for measuring negative word-of-mouth was directly linked to the protection component. For example, the item "I want to express my anger at this automaker because of their corporate misconduct that I believe may be happening" that we adopted from Hu and Kim (2018) was more about expressing a negative emotion. Although using validated scales enabled us to examine how crisis spillover risks affect Chinese consumers' protection motivation through assessing their negative word-of-mouth, developing a new scale that measures consumers' protection motivation specifically would be useful for future research.

Fourth, counterintuitively, this study could not detect different perceptions among individuals in relation to crisis type and organization type. Although we believe this may be related to cultural factors, we did not formally test it. As argued by Wang and Laufer (2020), the development of a crisis is highly contextualized which may also hold true for a crisis spillover. This leaves room for future research to examine the role of cultural factors in further understanding crisis spillover risks.

Fifth, since enhanced crisis preparedness and readiness are not only crucial at the company level but also at the industry level, future research should examine the effectiveness of industry-wide communication (through an industry association) versus company communication in issuing a denial in the face of crisis spillover risks.

Finally, the current study did not include any formal attention checks or manipulation checks, which should be carefully addressed when developing experimental designs in the future.

CONFLICT OF INTEREST STATEMENT

The authors declare no conflicts of interest.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

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APPENDIX

Stimuli for experiment

1. Short report about a Chinese automaker's misconduct State-owned company and bribery condition

"FUW Group, the largest state-owned automaker in China has been issued a fine of \$136 million after it was caught bribing a senior government official and influencing auto industry regulations and industrial policies. Although no details of the alleged disciplinary violations and illegal acts were given, the probe is widely seen as part of the next phase of the government's anticorruption campaign."

Private-owned company and bribery condition

"FUW Group, a privately-owned automaker in China has been issued a fine of \$136 million after it was caught bribing a senior government official and influencing auto industry regulations and industrial policies. Although no details of the alleged disciplinary violations and illegal acts were given, the probe is widely seen as part of the next phase of the government's anticorruption campaign."

State-owned company and violating employee rights condition

"FUW Group, the largest state-owned automaker in China has lost a labor arbitration case due to serious violations of laws regarding the extension of working hours, resulting in a staggering compensation payment of 136 million RMB to all employees. In the documents released by the arbitration committee, FUW Group acknowledged that its management implemented an internal "996" work system, requiring employees to work excessive overtime and using workplace "PUA" to undermine employees' self-esteem, causing serious physical and mental harm to them."

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2. dialog between two colleagues from another automaker in China

State-owned competitor company and giving no response condition

In the SUGO Cafe, Lisa to Ben: "Have you heard about what happened to the FUW Group?"

Ben: "I did. Too bad we are also a state-owned automaker."

Lisa: "I know. I'm worried about this. Has our CEO made an official response to their misconduct in the media?"

Ben: "No, I don't think he did. I'm not aware of any response from our company."

State-owned competitor company and differentiation condition

At the SUGO Cafe, Lisa to Ben: "Have you heard about what happened to the FUW Group?"

Ben: "I did. Too bad we are also a state-owned automaker."

Lisa: "I know. I'm worried about this. Has our CEO made an official response to their misconduct in media?"

Ben: "Yes, he did. I read in this morning's newspaper that our CEO denied a similar misconduct happening in our company. He really tried to distant us from their crisis."

Private-owned competitor company and giving no response condition

In the SUGO Cafe, Lisa to Ben: "Have you heard about what happened to the FUW Group?"

Ben: "I did. Too bad we are also a privately-owned automaker."

Lisa: "I know. I'm worried about this. Has our CEO made an official response to their misconduct in the media?"

Ben: "No, I don't think he did. I'm not aware of any response from our company."

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