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# In stories we trust: How narrative apologies provide cover for competitive vulnerability after integrity-violating blog posts<sup>☆</sup>

Tom van Laer<sup>\*</sup>, Ko de Ruyter

Maastricht University, the Netherlands

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## ABSTRACT

Consumers' confidence in companies has fallen due to recent and widespread violations of integrity and consumers' voicing of discontent in weblog (blog) posts. Current research on integrity restoration offers little guidance regarding appropriate responses. We posit that not only what (with which content) but also how (in which format) the company responds, contributes to an effective restoration of integrity and a reduction of consumers' intentions to switch. The results of Study 1 show that the combination of denial content and analytical format as well as apologetic content and narrative format works better than combinations of opposing response content and format. Comparing narrative apologies and denials in two consecutive studies, we demonstrate that the concept of "transportation"—the engrossing effect of a narrative—is the mechanism underlying narrative-based integrity restoration. We further assess in Study 2 how the use of empathy accounts for higher levels of transportation and perceived integrity. In Study 3, we establish that a personal response by the involved employee is more effective than a response issued by the company's spokesperson. Consumers trust in stories from the involved employee.

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## 1. Introduction

Weblog (blog) posts keep gaining in importance and are dramatically influencing the way consumers process and share information (Woodside, Sood, & Miller, 2008) and make purchase decisions (Pew Internet and American Life Project, 2006). It is these stories that present-day consumers have come to trust. Recent and widespread online violations of integrity and consumers' voicing of discontent form a threat to consumers' confidence in companies (Ward & Ostrom, 2006). Even unconfirmed posts can develop rapidly into stories with serious destructive potential and are a source of severe competitive vulnerability because consumers switch to competitors at virtually no cost to them (Elsner, Heil, & Sinha, 2009). Well-known companies, including

American Airlines and Kryptonite, have experienced massive exits by consumers based on posts on anonymous blogs. For such companies, a strategy of reticence, or hoping that the storm of negative word-of-mouth will just blow over, is no longer effective in the changing competitive landscape. Rather, the highly reactive blogosphere demands a quick and appropriate response in the blog's comment section to avoid the further erosion of consumer trust and subsequent loss of market share (Li, Bernoff, & McHarg, 2004). Trusov, Bucklin, and Pauwels (2009) show that an effective marketing strategy online differs from traditional public relations strategies, such as issuing press releases or comments from a spokesperson. Therefore, an in-depth assessment of effective responses to integrity violations, such as those voiced in consumer blogs, is crucial from a competition perspective.

Interestingly, recent theory on social interaction in an offline setting has predicted that a response that denies a breach of integrity restores trust more effectively than one that apologizes (for a review, see Snyder & Stukas, 1999). Empirical evidence for this prediction is scant and

<sup>☆</sup> This paper is based on the first author's doctoral dissertation.

<sup>\*</sup> Corresponding author. Tel.: +31 43 38 84820.

E-mail address: [t.vanlaer@maastrichtuniversity.nl](mailto:t.vanlaer@maastrichtuniversity.nl) (T. van Laer).

limited to studies by one research team (Ferrin, Kim, Cooper, & Dirks, 2007; Kim, Dirks, Cooper, & Ferrin, 2006; Kim, Ferrin, Cooper, & Dirks, 2004). These studies focus almost exclusively on the content of responses (i.e., apology or denial) that are presented in factual, analytical formats. Blog posts differ in several ways: (1) the blog post format is more narrative and experiential (Delgadoillo & Escalas, 2004), (2) the sheer number of blog posts makes it hard to respond to and control their competitive impact (Gartner Research, 2007; *The Economist*, 2006), and (3) blog posters tend to be non-professional authors who are personally involved (Kozinet et al., 2010).<sup>1</sup> Current research on integrity restoration therefore offers little guidance regarding whether an overtly persuasive, fact-based, analytical response format is appropriate or whether the firm instead should adopt a covertly persuasive, first-person narrative style in its response.

In addressing this issue, we begin our literature review by briefly describing integrity violations and their impact on consumers' trusting beliefs and subsequent intentions to switch. We then sketch the processing of analytical responses that aim to restore integrity perceptions and reduce intentions to switch. Next, we turn to the processing of narratives. We make a case for the concept of "transportation" as the mechanism underlying narrative-based integrity restoration. Having laid the groundwork for our hypotheses, we report on three separate studies in which we aim to make three substantive contributions to prior research.

First, we show in *Study 1* which combinations of response content and format work best under what conditions. Considering the potential competitive impact of blog posts, we also establish that integrity perceptions lead to outcomes that are relevant for competition: lower intentions to switch. In relation to integrity-violating blog posts, we posit that not only the content but also the format of a response contribute to an effective restoration of integrity and a reduction of intentions to switch. We distinguish consumer processing of analytical versus narrative response formats. Messages in analytical formats present a case by following a logical line of argument (Schellens & de Jong, 2004). In contrast, narrative formats are essentially stories consisting of story characters that experience causally connected events within a particular context and time span (Brewer & Lichtenstein, 1982). In the case of an analytical format, consumers tend to scrutinize response content, whereas a narrative format generally causes them to feel compelled. This engrossing effect commonly is referred to as transportation, which is conceptualized as "an integrative melding of attention, imagery, and feelings, focused on story events" (Green, 2004, p. 248). As a result of transportation, consumers are no longer aware of their prior beliefs, so a negative cognitive response is inhibited (Escalas, 2007; Slater, 2002b). Instead, they will empathize with the main character in a story (Green & Brock, 2002). We argue that a reader of a narrative response to an integrity violation may thus come to empathize with the accused party. Consequently, empathic appeals should strengthen the inherent expression of regret in an apologetic content. Conversely, such an effect is less likely when the reader processes a denial.

Second, to further our understanding of transportation in relation to narrative responses to blog posts, we restrict ourselves, from *Study 2* on, to narrative formats and examine two recently identified transportation drivers: empathic and imaginative appeals (Green & Brock, 2002). To date, research has yet to disentangle the potentially divergent impact of these drivers (Green & Brock, 2000); we assess how the use of empathy and imagery may account for variation in levels of transportation in relation to responses to online integrity violations. Specifically, we examine whether consumers perceive different integrity levels when they empathize with the accused party or imagine events and thereby engage in transportation. This investigation may answer Singhal and Rogers (2002) call for a more comprehensive understanding of narrative

processing and, therefore, transportation's unique effects on beliefs and intentions.

Third, we examine the narrative format of blog responses in relation to the other unique characteristic of blog posts, namely, the perspective of a specific narrator. Telling a story from the point of view of the person directly involved enhances the probability that readers will empathize with this person and his or her world view (Sanders, 1994). We extend this concept and examine in *Study 3* whether a personal response by the employee who is directly responsible for the integrity violation is more effective in restoring perceived integrity than is a response issued by the company's spokesperson. That is, we examine the impact of an important contingency on responses to integrity violations in consumer blogs.

## 2. Literature review

### 2.1. Research on integrity violations

According to Hirschman (1970), consumers provide feedback to companies via two mechanisms, voice and exit. An allegation of violated integrity is an example of voice, whereas a switch to the competition is an exit. Integrity-based trust is negatively linked to the propensity to exit (Morgan & Hunt, 1994). Before describing why and how responses to integrity violations can restore integrity perceptions and reduce consumer exit, we must understand the nature of integrity-based trust. In online marketplaces, various entities may be the objects of trusting beliefs and loyal intentions, including communities of vendors and users or the communication medium itself (Urban, Amyx, & Lorenzon, 2009). In this sense, trust is based on integrity, that is, an entity is perceived to adhere to necessary or acceptable principles and standards (Mayer & Davis, 1999). Previous trust research insufficiently addresses integrity, despite its increasing economic relevance during recent crises in markets as diverse as financial services, healthcare, telecommunications, and transport, which have suffered massive breakdowns in credibility (e.g., Plender, 2009; Williams Walsh, 2008). The effects of integrity violations on beliefs include substantial decreases in the accused party's perceived trustworthiness compared with that of competitors, resulting in severe competitive vulnerability (Lewicki & Bunker, 1996). Moreover, the very existence of the company may be threatened if consumers pursue an exit strategy in response to an integrity violation (Fornell & Wernerfelt, 1987; Johnson & Auh, 1998), even if an allegation is unsubstantiated (Kim et al., 2004).

Verbal responses can restore integrity even before remedying behavior can be displayed (Xie & Peng, 2009). A restoration effort's acceptability results from elaboration of the company's culpability and from the likelihood that confidence may be breached again (Snyder & Stukas, 1999). In response to a violation, admitting wrongdoing signals guilt; a promise that the failure will not happen again implies redemption. Dual-process models of belief change (e.g., the Elaboration Likelihood Model, Petty & Cacioppo, 1986) note that consumers weigh the promise to behave well in relation to an admission of guilt. However, Snyder and Stukas (1999) show that in the case of an integrity violation, consumers attach more importance to guilt than to redemption signals. The rationale behind this finding is that consumers consider a lack of principles or awareness of moral consequences difficult to change.

Two common verbal responses are apology and denial (Lewicki & Bunker, 1996). An apology relates positively to guilt. In contrast, a denial fails to signal guilt and addresses neither the details of the accusation nor the relevance of the domain (Snyder & Stukas, 1999). Rejecting culpability or attempting to counter the negative information may lead consumers to give the accused party the benefit of the doubt, sometimes even in the wake of contradictory evidence (Ditto & Lopez, 1992). Overall, then, empirical evidence suggests that denials work best in response to an integrity violation (Ferrin et al., 2007; Kim et al., 2004).

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