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ABSTRACT

In recent years, there have been several high-profile recalls of hybrid products (those where organizations in multiple countries take part in the design, component sourcing, manufacturing, and marketing of a product). If consumers perceive a global firm to be responsible for the recall, it will reduce their brand equity. Therefore, global firms may respond in ethically questionable ways to justify themselves to important stakeholders and avoid blame. Understanding how *stakeholders* attribute blame for crises involving hybrid products is important to shed light on the unethical manner in which global firms might avoid blame in such situations. The research reported here shows that in a hybrid product crisis, consumers show a bias in favor of the brand company and against the manufacturing company. This bias is more pronounced when the country of manufacture has an unfavorable image *or* when consumers lack familiarity with the recalled brand. Ambiguous recall announcements that fail to provide a specific reason for the product defect prompt consumers to assume that a manufacturing flaw caused the product defect. As a result, consumers reduce their attribution of blame for the brand company and increase their attribution of blame for the manufacturing company.

Keywords: Product recall, attribution of blame, brand familiarity, hybrid products.

Introduction

Globalization has brought about a number of changes in the production and marketing of consumer goods. One of the important changes is the increase in hybrid products, i.e., products where organizations in multiple countries take part in the design, sourcing of components, and manufacturing of a product (Li et al., 2000). This has generated concerns about the quality and safety of products, and has resulted in increased product recalls (e.g., Maclaren strollers, cribs of several brands, Aquadots/Bindeez toys, and multiple toy brands with loose magnets and lead paint).

Recalls have serious consequences, not only for consumers, but also for all the companies that are involved in the supply chain of the recalled product. Recalls pose a threat to the reputations of firms as a result of the negative publicity that usually surrounds a recall (Cheah et al., 2007; Rhee and Haunschild, 2006). As well, unethical decisions made by firms during such crises have led to their disgrace and sometimes near financial ruin, as seen in the Firestone, Ford, and Peanut Corporation cases (Christensen and Kohls, 2003). Beyond the cost of the product recall, there are additional problems: legal liabilities associated with the crisis, erosion of consumer trust, and consumer unwillingness to purchase the brand in the future. All of these represent consequences that can deal a crippling blow to a company that is involved in a recall (Laufer et al., 2005).

Considering the serious consequences of a recall, the firms involved often defend their actions, even while issuing a recall. In case of a hybrid product recall, firms also can deflect blame by pointing to the upstream or downstream partners involved in the supply chain. Such responses raise questions as to whether the actions of those firms are ethical. Mattel, for example, misled the public by claiming that its Chinese sources of supply were responsible for

the large scale recalls it issued in 2007. Mattel later apologized to the Chinese government when it became clear that the problem in the recalled toys was a design defect of loose magnets rather than lead paint as Mattel widely propagated (Bapuji and Beamish, 2007). In contrast, when Toyota recalled millions of cars in 2010 for sudden acceleration, it did not lay blame on its American suppliers (CTS Corporation) that manufactured pedals that contributed to the acceleration problem. Similarly, British Petroleum fronted the blame and was muted in apportioning the blame to American contractors (Deep Water Horizon operator Transocean and contractor Halliburton, which laid faulty cement in the well) who shared responsibility for the oil spill in the Gulf of Mexico (Martin, 2011).

Why do some organizations like Mattel try to shift the blame to their suppliers even when the latter are not responsible, while others do not even when the suppliers share the culpability? We speculate that Mattel may have blamed the Chinese because they thought that people outside China had a certain stereotype of Chinese manufacturing, and that it would therefore be believable to claim that the Chinese were at fault. Blaming American suppliers, on the other hand, might not be easy because stakeholders might not readily believe the assertions. This raises the broader question related to how stakeholders understand culpability and apportion blame in the recall of a hybrid product.

Since one of the key stakeholders in any product-harm crisis is the consumer, it is important to understand how consumers respond to product-harm crises involving hybrid products. In particular, answering the question "*Who does the consumer blame?"* is crucial, since the attribution of blame influences consumers' future attitudes and behaviors toward companies involved in the crisis (Laufer and Coombs, 2006). The company that receives the least (or no) blame stands out as the victim, and will likely suffer fewer negative consequences, while the

company that receives the most blame stands out as the perpetrator and will likely suffer many negative consequences (Folkes, 1988; Richins, 1983; Siomkos and Kurzbard, 1994).

Previous research on attribution of blame has predominantly examined the factors that influence the apportionment of blame. For example, Grewal et al. (2008) found that the firm is not held responsible for a service failure when the cause of the failure is external to the company. Similarly, Yoon (2013) found that analytical thinkers (vs. holistic thinkers) attribute the cause of negative experience to the manufacturer and holistic thinkers (vs. analytical thinkers) attribute the cause to the retailer. Despite a vibrant stream of research on blame attribution in product harm crises, previous research has not fully examined how consumers attribute blame to organizations involved in a hybrid product harm crisis.

In the research presented here, we examine how consumers' attributions of blame are influenced by three variables: *country-of-origin image* (consumers' attitudes toward a given country's products); *clarity of the relevant information* (whether or not the product recall announcement makes an explicit mention of the reason and assigns responsibility for the product defect); and *brand familiarity* (whether or not consumers recognize the brand of the recalled product). We draw on attribution theory to hypothesize how these variables influence consumers' attributions of blame in crises involving hybrid products and use experimental evidence to test our hypotheses.

The paper is organized as follows. We first survey the literature that is relevant for understanding consumers' attribution processes, identify the various influences that might distort this process, and propose hypotheses to be tested. We then describe the structure of a laboratory experiment that is designed to answer the question of who consumers blame for product recalls,

and identify the variables that facilitate or inhibit the attribution process. Next, we report the results of the experiment. We conclude the paper with a discussion of the results.

Theoretical Background and Development of Hypotheses

Who Does the Consumer Blame?

The question of who the consumer blames stands out as relevant in product-harm crises involving hybrid products. Blame attributions is a strong predictor of damage to a company's reputation and also plays an important role in deciding the company's crisis response strategy (Laufer, 2012; Laufer and Coombs, 2006). Surprisingly, only a few studies have examined how consumers apportion blame to multiple parties involved in a product-harm crisis (Folkes, and Kostos, 1986; O'Malley, 1996). In a purely rational world, consumers would blame the entity responsible for the crisis (in this case, the product defect). However, as the literature on attribution theory suggests, in reality, consumer attributions of blame depend on the process by which the consumers identify and understand the causes of the product-harm crisis (Lieberman et al., 2002).

For hybrid products, a manufacturing company in one country produces the product while a firm in another country provides the brand (Ettenson and Gray, 1991; Chao, 1993). Therefore, the culprits in a product-harm crisis may be either the brand company that designs and markets the product, or the manufacturing company that produces the product. The extent of blame that consumers attribute to the brand and manufacturing companies depends on three antecedents: motivation, information, and prior beliefs (Folkes, 1988; Lieberman et al., 2002; Kelley and Michela, 1980). Accordingly, consumers attribute blame based on their assessment of the potential motives that might have led to the product defect (e.g., greed) and available

information about what caused the defect (e.g., whether the defect was caused by a product design or a manufacturing problem) (Pyszczynski and Greenberg, 1981; Somasundaram, 1993; O'Malley, 1996). However, consumers quite often distort this information so that it would fit with their prior beliefs/stereotypes (Gilbert and Malone, 1995; Folkes, 1988; Ichheiser, 1943, 1949; Jones and Harris, 1967; Ross, 1977). Prior beliefs in the context of a product harm crisis would include stereotypes that exist in consumers regarding the brand involved in the crisis and the country where the product is manufactured (Laufer, 2012).

Various aspects of the attribution process are important when individuals try to make sense of a given event. Lieberman et al. (2002), for instance, suggest that people assess responsibility for an action by evaluating both an "actor's enduring perceived predispositions and the temporary situational context in which the action unfolds (Behavior = Disposition + Situation)" (pg. 2). That is, people assign culpability based on the actors' predisposition in causing a given issue unless another factor/player involved in the situation can explain the cause.

If we apply Lieberman et al.'s idea to the context of a product-harm crisis involving hybrid products, it would be reasonable to expect that consumers would likely believe in a predisposition on the part of the manufacturing company towards making an error. There are several reasons why consumers might draw this conclusion. First, the manufacturing company makes the physical product that sparked the crisis, and the tangible nature of that role makes the manufacturing company seem like a plausible culprit. Second, manufacturing represents the last stage of production before a product reaches consumers. Therefore, consumers might assume that an error that occurs during the design and development phases would get fixed before manufacturing begins. But if the problem occurs during the manufacturing stage, then the defect might go undetected unless it is caught by quality inspections. Third, consumers lack knowledge

of the complexity of product manufacturing processes within global supply chains, and may therefore be unaware of the extent to which trade in components and services occurs *before* a product is manufactured. Finally, in today's globalized marketplace, high-visibility brands are disproportionally represented in developed countries that have a high degree of trust and consumer loyalty, whereas manufacturing is often outsourced to developing countries that still suffer from unfavourable reputations. Based on a series of recalls of products made in China, the European Commission conducted qualitative market research among consumers from 28 European countries and found that consumers possess a favourable bias toward brand companies, and that consumers rely and trust the brand much more than the manufacturer (European Commission 2005).

Unless certain obvious aspects of the product-harm crisis can account for a product defect (e.g., a faulty design on the part of the brand company or a change in regulations), consumers may assign a higher degree of blame to the manufacturing company than to the brand company because they might not have a sophisticated understanding of global supply chains and hybrid products. The manufacturing company is seen as having a high predisposition to cause the product defect, and important contextual factors are ignored by consumers. In the attribution literature, this is known as *correspondence bias* or *fundamental attribution error* (Gilbert and Malone, 1995; Ichheiser, 1943, 1949; Jones and Harris, 1967; Ross, 1977).

Interestingly, even when consumers acquire clear information about the nature of culpability on a given issue, they might still be influenced by their own prior beliefs when assessing culpability (Folkes, 1988). Kelley (1972) expresses this argument aptly in the concept of the *discounting principle*. Among other things, this principle maintains that individuals discount or minimize their attribution to an actor according to their pre-existing beliefs.

Accordingly, in the case of product recalls that involve hybrid products, the bias consumers have in favor of a brand company might be particularly strong when the manufacturing company is from a country with an unfavorable reputation. In other words, the discounting effect (Kelley, 1972; Folkes, 1988) serves to reduce the blame assigned to the brand company and increase blame to the manufacturing company because of consumers' pre-existing beliefs that products manufactured in developing countries are of poorer quality than products manufactured in a country with a favourable reputation.

The country of origin (COO) effect denotes consumers' pre-existing attitudes toward products and brands from a specific country. This pre-existing attitude stems from consumers' prior experiences with products from that country or from the stereotypical image consumers hold about that country (Jaffe and Nebenzahl, 2001). Consumers use the COO effect to assess product-quality attributes whenever country information becomes available, and especially when there is a scarcity of other product information (Bilkey and Nes, 1982; Hong and Wyer, 1989; Insch and McBride, 2004; Roth and Diamantopoulos, 2009). That is, consumers often use the perceived reputation of the COO as a substitute for a more objective assessment of a product (Papadopoulos and Heslop, 1993). Based on the COO effect, consumers presumably hold a more favorable attitude toward products coming from countries with a favourable reputation (e.g., Japan and USA), and a less favorable attitude towards products coming from countries with an unfavourable reputation (e.g., Mexico and Malaysia) (Pappu et al., 2006).

Consistent with this conceptualization of the COO effect, this research proposes that even when consumers are presented with clear information about a product recall, they might not take that information into consideration when attributing blame because their stereotypical views of the COO of the companies involved in that product recall have been activated (Bodenhausen and

Macrae, 1998). Thus, once activated, the stereotype relating to products coming from a specific country (e.g., Japan or Malaysia) can influence consumers' assessment of culpability in the product-harm crisis (favorable or unfavourable reputation).

The Brand Familiarity Effect and Consumers' Attributions of Blame

The brand familiarity effect occurs when consumers' knowledge and previous experience with a brand influences their evaluation of the quality of the branded product (Laufer et al., 2009; Stokes, 1985; Teas and Agarwal, 2000). Previous research recognizes that brand familiarity might act as a safeguard against the negative impact that bad publicity might exert on a brand. For instance, Dawar and Lei (2009) argue that when a crisis involves familiar brands, a considerable reduction of the effects of the crisis on the brand might occur due to the fact that consumers use memory-based, pro-attitudinal information to unconsciously defend their prior attitudes towards that brand. Conversely, on encountering negative information about an unfamiliar brand, consumers tend to respond less positively, primarily because they have no pro-attitudinal information about that brand stored in memory and therefore evaluate the brand solely on the basis of the current crisis information.

Rao and Monroe (1989) suggest that a greater likelihood exists for consumers to use extrinsic cues (such as COO information) in the assessment of product quality when they lack intrinsic cues as a result of their low familiarity with a given brand. Consequently, unfamiliar brands inspire more instances of negative bias. Rao and Monroe (1989) also suggest that as brand familiarity increases, consumers reduce their reliance on extrinsic cues and increase their reliance on intrinsic cues when evaluating brands. Thus, with respect to consumers' assessments of blame, the influence of the COO image becomes more powerful in the case of an unfamiliar brand.

Attribution of Blame to the Brand Company

The arguments presented so far suggest that when the information provided does not state otherwise, consumers tend to assume that the problem stems from a manufacturing issue and, for that reason, they attribute less blame to the brand company. Further, when the product is manufactured in a country with an unfavorable image, the degree of bias inevitably increases due to the already existing negative stereotypical bias against such products and their countries of manufacture. Since consumers lack any pro-attitudinal information about unfamiliar brands, which might serve to defend these brands from the adverse impact of the product recall, the above-mentioned bias escalates further whenever the product-harm crisis involves unfamiliar brands. Stated formally:

> *H_1: Attribution of blame to the brand company is significantly lower when the recall announcement does not specify (rather than specifically mentions) that a faulty design caused the product defect. This bias in favor of the brand company becomes even more pronounced in the case of an unfamiliar (vs. familiar) brand or if the product is manufactured by a company with an unfavorable (vs. favorable) Country of Manufacture (COM) image.*

Attribution of Blame to the Manufacturing Company

It might be assumed that consumer attributions of blame to the manufacturing company should decrease if information provided in the recall announcement links the product defect directly to the brand company (e.g., by explicitly mentioning that a faulty design caused the product defect). But this might not necessarily happen. Prior research suggests that consumers attribute blame by looking at the information they have and then deciding what the most likely cause of the problem is (Lieberman et al., 2002). But there is also evidence that consumers' confirmatory biases may prevent them from properly processing the information presented to them (Darley and Gross, 1983; Dawar and Pillutla, 2000; Ha and Hoch, 1989; Hoch and Deighton, 1989). Dawar and

Pillutla (2000), for example, suggest that when consumers have strong expectations, they simply interpret information in a manner that confirms their expectations, "which leads to a cumulative effect of expectations and evidence" (pg. 219). Based on a product-harm crisis study, Dawar and Pillutla (2000) indicate that confirmatory biases appear when consumers receive ambiguous information regarding where fault lies.

The literature on stereotyping helps to explain why preconceived expectations based on stereotypes can exert such a strong influence on perceptions and judgments. Miller and Turnbull (1986) describe two information-processing mechanisms that lead to bias in assessing blame: *encoding bias* (where stereotypes lead to selective attention to stereotype-consistent information), and *attribution bias* (where stereotypes lead to a discounting of inconsistent information). Both these biases can account for the way stereotypes affect consumer judgment. In the former case, information that differs from consumers' stereotypical views receives little attention and thus fails to influence the judgment process; in the latter case, consumers simply discount the inconsistent information (Bodenhausen and Lichtenstein, 1987).

These two biases might mean that consumers simply assume that poor manufacturing caused a product defect, even if the recall announcement explicitly mentions that something other than a manufacturing problem caused the defect (e.g., a faulty design). Dawar and Pillutla (2000) suggest that a dilemma situation results when an inconsistency exists between consumer expectations and the information provided, and that consumers resolve that dilemma by simply discounting the information rather than updating their own expectations. If we accept this line of reasoning, we should not be surprised that a large number of stakeholders (i.e., public, media, government, and company executives) blamed the overseas suppliers in China for the 2007

Mattel toy recalls, even though the vast majority of those recalls stemmed from faulty designs by the brand companies (Bapuji and Beamish, 2007).

Further, brand familiarity serves as safeguard for the adverse impact of the product recall on the attribution of blame to the brand company (Dawar and Lei, 2009). Consequently, brand familiarity might increase attribution of blame to the manufacturing company, thus moderating the interactive effects of the clarity of information provided and the COM image on consumers' attribution of blame to the manufacturing company. That is, in the case of a familiar brand, since consumers tend to use memory-based, pro-attitudinal information to defend familiar brands, evidence that a faulty design caused the product defect will reduce consumers' attribution of blame to the manufacturing company only when a country with a favorable COM image manufactures the product. However, since pre-existing, pro-attitudinal information does not serve to protect unfamiliar brands in the same way, the COM image of such a brand will directly influence the attribution of blame to the manufacturing company, independent of the information provided in the recall announcement. Stated formally:

> *H_{2a}: In the case of an unfamiliar brand, attribution of blame to the manufacturing company will be significantly lower when the product is manufactured by a company from a country with a favorable image than by a company from a country with an unfavorable image. This result will occur independent of the fact that the recall announcement does or does not specifically mention that a faulty design caused the product defect.*

> *H_{2b}: In the case of a familiar brand, attribution of blame to the manufacturing company from a country with a favorable (but not unfavorable) image will significantly decrease when the recall announcement specifically mentions (rather than does not specify) that a faulty design caused the product defect.*

Methodology

Research Design

One hundred and fifty-three undergraduate students (49% female; mean age of 20.7 years) from a North American university participated in this study in exchange for course credit. The study ran as a 2 [country-of-manufacture (COM) image: favorable (Japan) vs. unfavorable (Malaysia)] x 2 [reason for product defect: specified vs. unspecified] x 2 [brand familiarity: familiar vs. unfamiliar] between subjects design. The countries chosen to reflect COM image were identified based on the results of previous research (Pappu et al., 2006) in which Japan was perceived to have a significantly higher positive image than Malaysia (mean difference = .89, $p <$. 01). A fictitious brand (EKL Inc.) was used for the unfamiliar brand, and Dell Inc. was used for the familiar brand. A fictitious name (Lextronics) was assigned to the manufacturing company and was used in all four conditions.

Procedure. Researchers conducted the study in two phases. In the first phase, participants indicated their perception of quality of products manufactured in several different countries, including the two countries-of-manufacture featured in the main study (Japan and Malaysia). Quality perceptions of the participants were assessed using five items on a 7-point Likert scale (1 = strongly disagree, 7 = strongly agree). The items were: (i) Manufacturing companies based in (name of country) are generally reliable, (ii) Manufacturing companies based in (name of country) generally produce quality products, (iii) Manufacturing companies based in (name of country) tend to produce well designed products, (iv) Manufacturing companies based in (name of country) tend to produce safe-to-use products, and (v) Workers in (name of country) are generally capable of doing a good job. These items were adapted from scales used by Arpan and Sun (2006), Heslop and Papdopoulos (1993), and Roth and Romeo (1992). The five items were averaged for each country and used as pre-experiment measures of country-of-origin image

(Cronbachs' $\propto$ = .91 for Japan and .91 for Malaysia). After participating in some unrelated studies, participants worked on the second phase of the experiment. In this phase, participants read an article that described a fictitious recall announcement (see Appendix), supposedly issued by health authorities, in which a recall of an American brand (EKL Inc. or Dell Inc.) of laptop batteries took place because the batteries could potentially overheat and explode, thereby posing injury risks to consumers. The American brand (EKL Inc. or Dell Inc.) designs and out sources batteries *for supply to its own brands and also to other brands available in the market* for their new laptops and also for replacement purposes. In line with previous research (Laufer and Jung, 2010), laptop batteries were chosen for the study because of the high level of usage of this product by university students. In the recall announcement, researchers manipulated the reason for this product defect by specifically mentioning (specified) or not mentioning (unspecified) the fact that the product defect was the result of a faulty design by the brand company. Additionally, to manipulate COM image, researchers informed the participants that Lextronics, an outsourcing company in Japan (or Malaysia), manufactured the defective batteries. It was specified in the recall notice that the "The recalled batteries although designed by the American company *EKL Inc*. (*Dell Inc*.), were manufactured by Lextronics Limited of *Japan* (*Malaysia*)". Similarly the probable reason for failure was mentioned as "A problem in the *batteries* (*design of the batteries*) might cause them to overheat and explode, posing health risks to consumers". After reading the recall announcement, participants answered survey questions that measured how much they would blame the brand company and the manufacturing company, and also responded to several demographic questions (i.e., age, gender, and nationality). At the end of this phase, participants were thoroughly debriefed and informed about the actual purpose of the study.

Dependent Measures. Participants indicated the degree to which they believed the brand company should be blamed for the recall problem on a two-item 7-point scale (1 = not at all, 7 = very much so). The items were: (i) To what extent do you consider EKL Inc. (or Dell Inc.) responsible for the problem in the recalled batteries, and (ii) The problem with the recalled batteries is due to mistakes made by EKL Inc. (or Dell Inc.). We averaged the responses on these two items and used them as a measure of attribution of blame to the brand company (r = .83). A similar two-item 7-point scale measured attribution of blame to the manufacturing company: (i) To what extent do you consider Lextronics of Japan (or Malaysia) responsible for the problem in the recalled batteries, and (ii) The problem with the recalled batteries is due to mistakes made by Lextronics of Japan (or Malaysia). We averaged the responses on these two items and used them as a measure of attribution of blame to the manufacturing company (r = .82).

Manipulation checks. We used the measurement items for the COM image from the pre-experiment survey as a manipulation check for the COM image manipulation. To assess whether the product defect manipulation worked, we asked the participants to answer the following item on a 7-point scale (1 = not all, 7 = very much so): To what extent does the recall announcement explicitly state that the problem with the batteries was due to a faulty design?

Results

Manipulation checks. Consistent with the COM image manipulations and with previous research, participants had a favourable image of the USA (M = 4.75) and Japan (M = 5.09) compared with Malaysia (M = 3.99, p < .001). As to the reason for product defect manipulation, researchers conducted a 2 [COM image: favourable (Japan) vs. unfavorable (Malaysia)] x 2 [reason for product defect: specified vs. unspecified] x 2 [brand familiarity: familiar vs. unfamiliar] ANOVA. The results confirm a main effect of reason for product defect; participants

in the specified (as compared to the unspecified) condition perceived that the recall announcement more explicitly stated that the problem with the batteries was due to a faulty design ($M_{specified}$ = 5.3 vs. $M_{unspecified}$ = 3.5; F (1, 145) = 63.4, p < .001; η^2 =.13). No other main or interaction effects were found (p > .10).

Who does the consumer blame: the brand or the manufacturing company? Our study used a 2 [COM image: favorable (Japan) vs. unfavorable (Malaysia)] x 2 [reason for product defect: specified vs. unspecified] x 2 [brand familiarity: familiar vs. unfamiliar] x 2 [blame: brand vs. manufacturing] mixed-model design. COM image, reason for product defect, and brand familiarity were manipulated between subjects, and blame was measured within subjects. As hypothesized, there was a main effect of blame; attribution of blame to the manufacturing company was significantly higher than attribution of blame to the brand company (M_{brand} = 5.0 vs. $M_{manufacturing}$ = 5.8; F (1, 145) = 30.4, p < .001; η^2 =.13). The nature of this main effect will be further explained by the analyses below. To facilitate the interpretation of findings, we conducted separate analyses for attribution of blame to the brand company versus attribution of blame to the manufacturing company.

Attribution of blame to the brand company. Analyses were conducted using a 2 [COM image: favorable (Japan) vs. unfavorable (Malaysia)] x 2 [reason for product defect: specified vs. unspecified] x 2 [brand familiarity: familiar vs. unfamiliar] between-subjects ANOVA. Table 1 presents a summary of estimates for attribution of blame to the brand company. As predicted in H_1, consumers attribute less blame to the brand company when the recall announcement does not specify the reason for the product defect versus when the recall announcement does specify the reason ($M_{unspecified}$ = 4.6 vs. $M_{specified}$ = 5.5; F (1, 145) = 21.1, p < .001; η^2 =.13). This main effect is qualified by a significant two-way interaction between COM image and reason for the product

defect in predicting the extent to which the participants blame the brand company for the problem that prompted the recall (F (1,145) = 5.1, $p < .05$; η^2 =.03). Looking at the simple effect tests of the two-way interaction (see Table 1 and Figure 1A), an even more pronounced effect (of reason for product defect on attribution of blame to the brand company) is evident when the country-of-manufacture has an unfavorable image (Malaysia: $M_{\text{specified}}$ = 5.7 vs. $M_{\text{unspecified}}$ = 4.3; F (1, 145) = 23.6, $p < .001$; Japan: $M_{\text{specified}}$ = 5.4 vs. $M_{\text{unspecified}}$ = 4.9; F (1, 145) = 2.7, $p = .10$). In addition, attribution of blame to the brand company is significantly reduced when the COM changes from the favorable to the unfavorable image condition *and* the recall announcement does not specify the reason for the product defect (Unspecified: M_{Japan} = 4.9 vs. M_{Malaysia} = 4.3; F (1, 145) = 4.5, $p < .05$). No significant effect of COM image on attribution of blame to the brand company appears for participants in the specified-reason-for-product-defect condition ($p > .10$). In other words, when the recall notice does not specify the reason for the product defect, consumers attribute significantly lower blame to a brand company, particularly if a company in an unfavorable COM-image country makes the product.

[Insert Table 1 about here]

Providing further support for H_1, the results of this experiment also show a significant two-way interaction between reason for product defect and brand familiarity in predicting the extent to which participants blame the brand company for the recall (F (1, 145) = 5.1, $p < .05$). As presented in Table 1 and Figure 1B, simple effects analyses reveal that participants attributed significantly more blame to the unfamiliar brand company when the recall announcement specifically mentions the reason for the product defect compared to when the recall announcement does not specify the reason ($M_{\text{specified}}$ = 5.8 vs. $M_{\text{unspecified}}$ = 4.4; F (1, 145) = 21.3, $p < .001$). Interestingly, participants attributed only a marginally significant higher degree of

blame to the familiar brand company when the recall announcement specifically mentions the reason for product defect compared to when the recall announcement does not specify the reason ($M_{specified}$ = 5.3 vs. $M_{unspecified}$ = 4.7; F (1, 145) = 3.4, p = .07). Further, participants in the specified-reason-for-product-recall condition attributed a marginally significant lower blame to the brand company when the product sports a familiar brand versus an unfamiliar one ($M_{familiar}$ = 5.3 vs. $M_{unfamiliar}$ = 5.8; F (1, 145) = 3.3, p = .07).

[Insert Figures 1A and 1B about here]

Attribution of blame to the manufacturing company. Analysis of a 2 [COM image: favorable (Japan) vs. unfavorable (Malaysia)] x 2 [reason for product defect: specified vs. unspecified] x 2 [brand familiarity: familiar vs. unfamiliar] between-subjects ANOVA also supports H_{2a} and H_{2b}. Table 2 presents a summary of estimates for attribution of blame to the manufacturing company. The predicted three-way interaction was observed for attribution of blame to the manufacturing company (F (1,145) = 3.9, p = .05). There was also a main effect of COM image in which participants attributed lower blame to the manufacturing company from a favorable COM image (M_{Japan} = 5.5) than to the one from an unfavorable COM image ($M_{Malaysia}$ = 6.1; F (1, 145) = 12.0, p < .001).

[Insert Table 2 about here]

As presented in Table 2 and Figure 2A, in the unfamiliar brand condition, we found a significant effect of COM image in predicting the extent to which participants would blame the manufacturing company, irrespective of whether or not the recall announcement specifically mentioned a design flaw as the reason for the product defect (Specified: $M_{Malaysia}$ = 6.2 vs. M_{Japan} = 5.4; F (1, 145) = 3.9, p = .05; Unspecified: $M_{Malaysia}$ = 6.5 vs. M_{Japan} = 5.3; F (1, 145) = 9.1, p < .01). As for the familiar brand condition (see Table 2 and Figure 2B), when the recall

announcement specifically mentions that a faulty design caused the product defect, participants blame the manufacturing company from the favorable COM image (M_{Japan} = 5.1) to a much lesser extent than the manufacturing company from an unfavorable COM image ($M_{Malaysia}$ = 6.0; F (1, 145) = 5.4, $p < .05$), suggesting that a company from a favorable COM image derives more benefit in this situation. Further evidence of this finding stems from the fact that specifically mentioning the reason for product defect significantly affects the attribution of blame to the manufacturing company in the favorable COM image condition ($M_{unspecified}$ = 6.0 vs. $M_{specified}$ = 5.1; F (1, 145) = 5.1, $p < .05$) but not in the unfavorable COM image condition (p >.10).

[Insert Figures 2A and 2B about here]

Discussion

Past research on product recalls has focused largely on the consequences of recalls for companies (e.g., damage to reputation and stock price erosion). Few empirical studies deal with how consumers perceive and react to product recall information and what variables might influence this process (de Matos and Rossi, 2007). Significant among these empirical studies are the ones that have specifically examined the effect of the country of manufacture on consumer blame attributions in ambiguous product harm crisis situations (Laufer, 2012; Laufer et al., 2009). The research reported here attempts to extend the above research by specially assessing who consumers blame in recall situations that involve hybrid factors, and by examining the impact of additional variables that facilitate or inhibit the attribution of blame. Specifically, this research aimed to decompose consumer attribution of blame into blame attributed to the brand company and that attributed to the manufacturing company and examines the factors that moderate the relationship between them. Brand company origin and manufacturing company origin have been

found to affect brand equity differently as country of manufacture can vary over time and space due to globalization, while brand origin represents a strong brand association in consumers' memory (Hamzaoui-Essoussi et al., 2011; Keller, 1993). Understanding the differences in attributions to the manufacturing company and brand company is particularly relevant in the context of international business where the trade relations between countries become strained when brand companies and the media blame the manufacturing countries for defective and dangerous products in the market. For example the U.S.-Chinese trade relations had become sore as a result of the U.S. media news warning of dangerous and defective Chinese products in the market (Laufer, 2012; Woellert, 2007).

The results suggest that consumers generally have a bias against manufacturing companies, and this bias leads to an attribution of blame to manufacturing companies. The bias becomes more pronounced when the recalled product is manufactured in a country with an unfavorable COM image, *or* when the recalled product carries an unfamiliar brand. Consumers' assessments of culpability are also moderated by the clarity of the information that is provided. Specifically, the attribution of blame to the brand company declines significantly when the recall announcement lacks clarity about the reason for the product defect. This lack of clarity apparently causes consumers to assume that the defect originates from a manufacturing problem. Explicitly mentioning faulty design as the reason for a product defect does reduce the attribution of blame to the manufacturing company, but *only* when the product originates in a country with a favourable COM image and sports a familiar brand.

Contributions to the Literature

The findings from this research make several contributions to the literature on consumers' attribution of blame in the context of the recall of a hybrid product. First, the results suggest that

firms may be more forthright when products (or responsible component parts) in a recall crisis originate from countries with a favourable image. For example, Boeing willingly grounded the Dreamliner aircraft while admitting that faulty batteries came from Japan. In the case of products or parts originating from countries with an unfavourable image, firms may not be so forthright in admitting the source of the fault. For example, Mattel blamed Chinese manufacturers for the toy recall crisis although the fault lied in its designs. Similarly, in the case of Union Carbide, the firm did not accept responsibility for the crisis in India.

Organizational responses to crises signal the extent of responsibility that the firms assume for the crisis (Marcus and Goodman, 1991). While ethical challenges in business practices do exist in countries which have an unfavourable image — such as China and India (Lu, 2009) — and moral approaches to assigning responsibility support the intuition that manufacturers are primarily responsible for product defects (Noggle and Palmer, 2005), problems with the product do not always emanate from the country of manufacture. Direct responsibility because of a design flaw for the product recalls was eventually seen in the case of the Mattel recalls of 2007 (Bapuji and Beamish, 2007). Firms therefore need to factor in the ethical dimension of strategic decision making during organizational crises.

Our understanding of how consumers respond to recall messages is limited (Laufer and Jung, 2010). Our second contribution would be that the specific information contained in a recall announcement influences how consumers apportion blame. In the absence of sufficient information about the product defect, consumers will rely on their prior beliefs when assessing culpability (Folkes, 1988). Firms should take this into account when they frame appropriate ethical responses to crises and communicate candidly about the cause of the problem, without

scapegoating, in the announcement of the product recall (Gibson, 1995; Dardis & Haigh, 2009). Doing so would help build their profile as ethical and socially responsible organizations.

Third, our results suggest that domestic consumers may see overseas manufacturing companies as having a higher predisposition to cause defects (i.e., the correspondence bias and fundamental attribution error) (Gilbert and Malone, 1995; Ichheiser, 1943). This helps to explain why companies may try to manipulate consumer reactions through their corporate communications strategies. For example, the largest American toymaker, Mattel, created a furor in China by blaming Chinese suppliers for recalls of Mattel products. Although Mattel's own faulty design caused the majority of these product defects—that is, the product flaw did not result from a manufacturing issue—consumers and the general media were led to believe that the product defect was caused by poor manufacturing in China.

Due to cognitive biases against products made in a foreign country, North American media and consumers tend to blame offshore manufacturers for product crises, and this tendency is heightened if the foreign country has a low COM image. Various consumer-held images about products and companies that originate from certain foreign countries reinforce these cognitive biases, which can in turn lead to often-unjustified consumer outrage in the event of a product crisis (Barney and Zhang, 2008; Beamish and Bapuji, 2008). This reasoning raises important ethical considerations, as companies might play on these biases in order to limit damage to their own reputations. They can do this by either failing to mention the cause of the product defect, or by actively highlighting the cases of poor manufacturing by suppliers in low COM image countries.

Fourth, while biases against manufacturers in certain foreign countries might help domestic brand companies minimize the damage to their bottom lines, perpetuation of such

biases results in wider implications. For example, during the recall crisis in 2007, despite Mattel's culpability, consumers not only blamed the Chinese companies for the crisis but also *labelled* most other Chinese products as *risky products.* The proliferation of this attitude resulted in the erosion of China's national brand and posed a threat to international trade, which involved measures and counter-measures by governments in the West and in China (Barney and Zhang, 2008; Beamish and Bapuji, 2008). In order to avoid situations that endanger the very basis of international trade, regulators and companies must provide accurate information about product defects and their origins. Such information would not only help consumers to react more rationally, but would also provide companies with a chance to learn from product-harm crises instead of looking for scapegoats in suppliers from countries with a low COM image.

Limitations and Future Research

Certain limitations of this study must be considered when assessing the implications of its findings to real-world product recalls. First, this study uses students as participants in the experiment. Although the use of a product that is relevant to the group (i.e., laptop) reduces external validity concerns to some extent, the application of these findings to a broader consumer group remains unknown. Second, this study uses a high-involvement, high-priced and complex product, and these features might influence participant attributions of culpability. Further, various studies have shown that the impact of COM information can depend on the type of industry (Laufer, 2012). Accordingly, future research could explore how industry, different levels of product complexity, and price might affect apportionment of blame by consumers. Third, Laufer et al., (2005) found that blame attributed by the consumer is strongly affected by perceived severity of the product harm crisis. This study has not considered severity as a factor in blame attribution. Future research can examine how severity of the crisis and the ambiguity of

the crisis interact to influence blame attribution to the brand and manufacturing companies. Fourth, the focal product in this study is a battery that overheats and explodes. Although this defect can be caused by either a design flaw (inadequately programmed battery charging) or a manufacturing flaw (use of low quality materials), participants might believe that a battery overheats strictly as a result of poor materials (i.e., a manufacturing flaw). Thus, participants might be likely to routinely attribute the recall to manufacturing problems. More generally, since attributions influence consumers' future attitudes and behaviors about the company, further examination of how such attributions of blame affect actual consumer buying behaviour represents an important topic for future study. Fifth, extant research has found that consumer cultural differences and demographics also play a role in attribution of blame in crisis situations. Consumers from Western cultures differ from Asians on assigning the likely causes of an ambiguous harm crises (Laufer, 2012). Future research can examine variances in attribution of blame in different cultural contexts. Women blame the company more than men for a crisis (Laufer and Gillespie, 2004) and older consumers tend to blame companies more for product harm crises than younger consumers (Laufer et al., 2005). Future studies can examine the moderating effect of demographics such as age and gender on attribution of blame in the context of hybrid products. Finally, recalls of hybrid products represent a major issue with media and other stakeholders who seek more regulation of imported products. As a result, a heightened degree of participant bias might exist, causing them to attribute higher levels of blame to manufacturing companies, especially in low COM-image countries.

Conclusion

Recent increases in the number of recalls of hybrid products have had an impact on various stakeholders. This study shows that availability of information about the reason for the product defect, image of the manufacturing country, and brand familiarity all combine to influence consumer reactions and likely the reactions of stakeholders in general. Although consumers tend to discount available information in favor of familiar brand companies and products manufactured in countries with a favorable COM image, this research shows that providing accurate information about recall reasons represents both an effective and ethical way to reduce or even eliminate bias in consumer reactions, which in turn helps to reduce the presence and influence of bias in consumers' future attitudes and behaviours towards companies that are involved in recalls.

Table 1 – Summary of Estimates for Attribution of Blame to the Brand Company

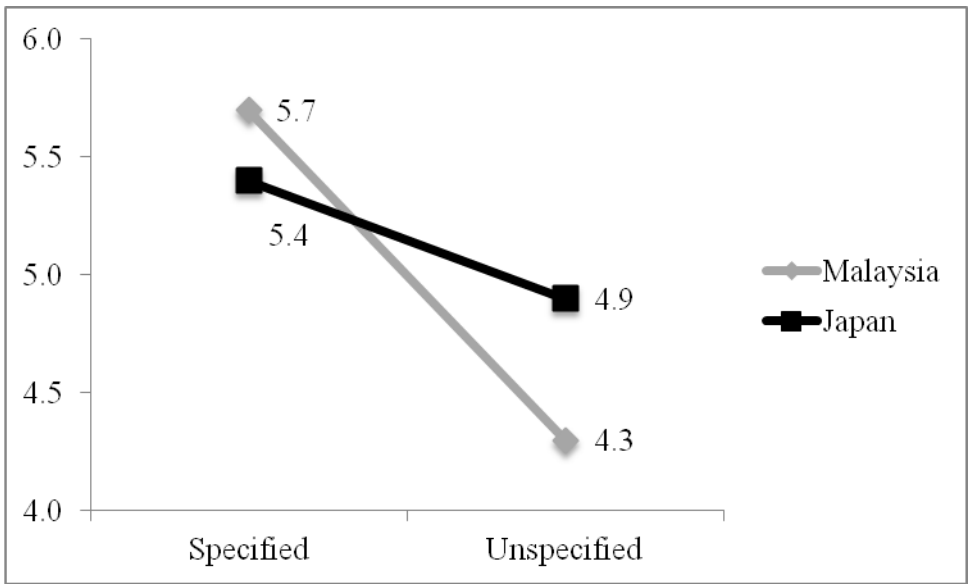
			Mean difference	Standard Error	F-value	*p*-value	Partial Eta squared
Main effect of reason for product defect							
	specified n = 76; M = 4.6	unspecified n = 77; M = 5.5	-.95	.21	21.09	.00	.13
Two-way interaction effect							
COM Image X reason for Product Defect					5.09	.03	.03
Pairwise comparisons							
Malaysia	unspecified n = 40; M = 5.7	specified n = 37; M = 4.3	1.41	.29	23.61	.00	.14
Japan	unspecified n = 37; M = 5.4	specified n = 39; M = 4.9	.48	.29	2.71	.10	.02
Unspecified	Malaysia n = 40; M = 4.3	Japan n = 37; M = 4.9	-.61	.29	4.44	.04	.03
Specified	Malaysia n = 37; M = 5.7	Japan n = 39; M = 5.4	.32	.29	1.17	.28	.01
Two-way interaction effect							
Reason for product defect X brand familiarity					4.15	.04	.03
Pairwise comparisons							
Unfamiliar	unspecified n = 36; M = 4.4	specified n = 38; M = 5.8	-1.37	.30	21.29	.00	.13
Familiar	unspecified n = 41; M = 4.7	specified n = 38; M = 5.3	-.53	.29	3.37	.07	.02
Unspecified	unfamiliar n = 36; M = 4.4	familiar n = 41; M = 4.7	-.31	.29	1.16	.28	.01
Specified	unfamiliar n = 38; M = 5.8	familiar n = 38; M = 5.3	.53	.29	3.26	.07	.02

Table 2 – Summary of Estimates for Attribution of Blame to the Manufacturing Company

			Mean difference	Standard Error	F-value	*p*-value	Partial Eta squared
Main effect							
COM Image	Malaysia n = 77; M = 6.1	Japan n = 76; M = 5.5	.67	.19	11.96	.00	.08
Three-way interaction effect							
COM image X reason for product defect X brand familiarity					3.9	.05	.03
Pairwise comparisons							
Unfamiliar brand							
Specified	Malaysia n = 19; M = 6.2	Japan n = 19; M = 5.4	.76	.39	3.87	.05	.03
Unspecified	Malaysia n = 19; M = 6.5	Japan n = 17; M = 5.3	1.20	.40	9.08	.00	.06
Familiar brand							
Specified	Malaysia n = 18; M = 6.0	Japan n = 20; M = 5.1	.90	.39	5.40	.02	.04
Unspecified	Malaysia n = 21; M = 5.8	Japan n = 20; M = 6.0	-.19	.37	.26	.61	.00

Figure 1 – Attribution of Blame to the Brand Company

1A – COM Image X Reason for Product Defect



1B – Brand Familiarity X Reason for Product Defect

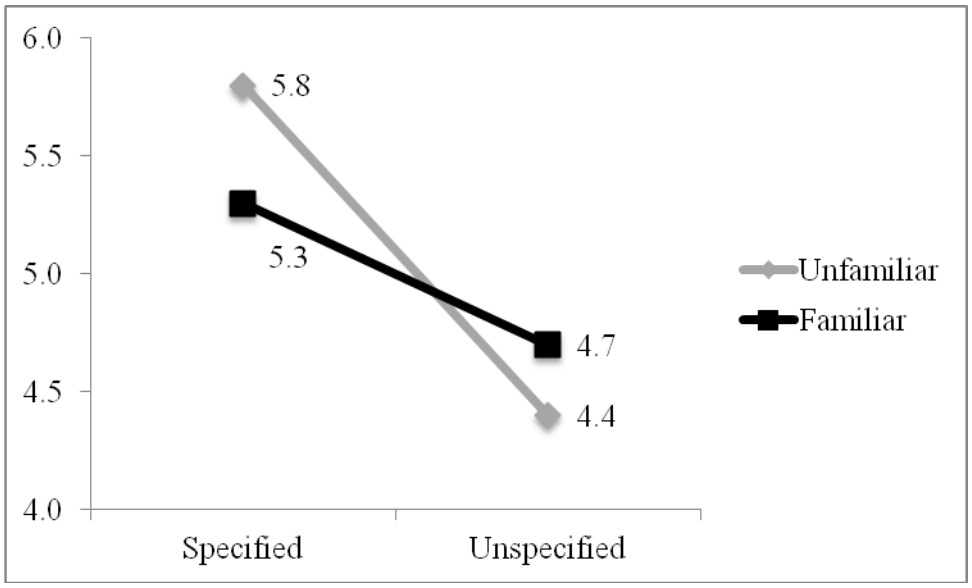
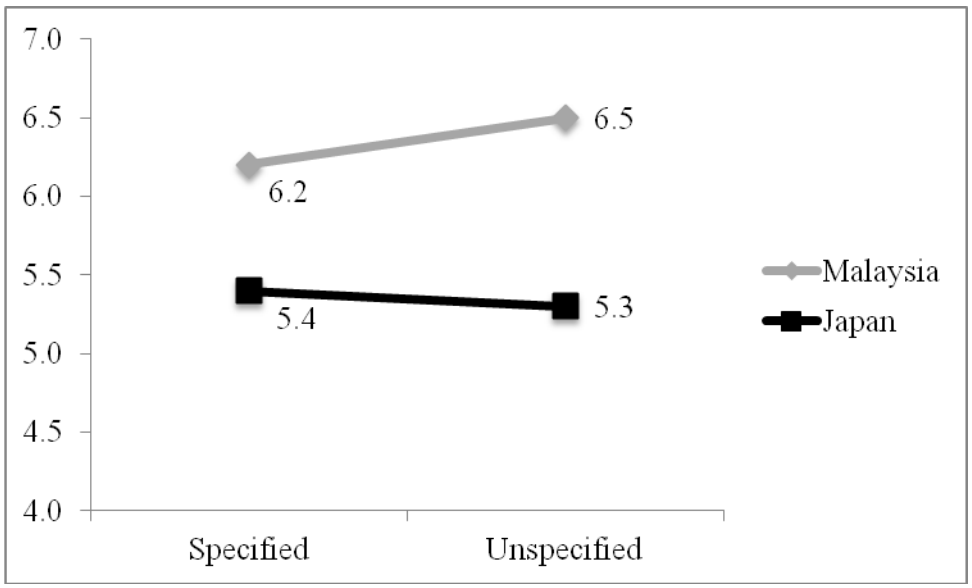
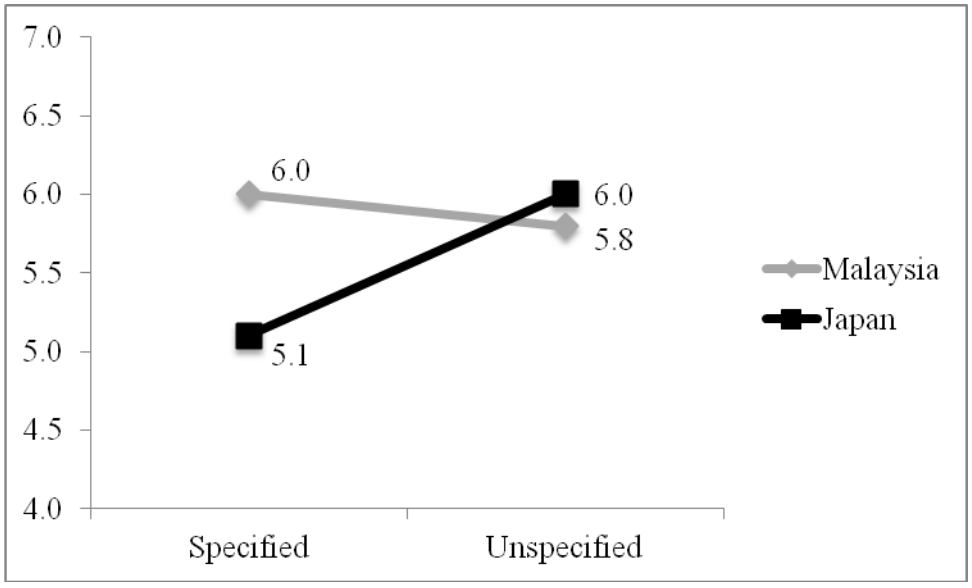


Figure 2 – Attribution of Blame to the Manufacturing Company

2A – Unfamiliar Brand: COM Image X Reason for Product Defect



2B – Familiar Brand: COM Image X Reason for Product Defect



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APPENDIX

Dell Inc. Batteries Recall Affects Some Canadian Students

The division of laptop batteries of Dell Computer Corporation (Dell Inc.) has recently announced a recall of a wide variety of batteries used in different brands of laptop computers such as Acer, Compaq, Dell, HP, Lenovo and Sony. Dell Inc, an American brand, outsources part of its batteries' production to different companies in Asia, including Lextronics of Japan. **The recalled batteries, although designed by the American company Dell Inc., were manufactured by Lextronics Limited of Japan.**

What's it about?

Dell Inc. has discovered a problem with a variety of laptop batteries that were sold as part of many different brands of laptop computers and announced a recall yesterday. The batch of batteries been recalled were originally manufactured by Lextronics in Japan. The recalled batteries may have come installed in a new laptop from the following brands Acer, Compaq, Dell, HP, Lenovo, and Sony, or may have been provided as part of a service call that required a battery to be replaced.

According to the Dell Inc. announcement:

"A problem in the batteries might cause them to overheat and explode, posing health risks to consumers."

What Should I Do?

Anyone having a laptop computer is urged to visit the following website www.japanbatteriesproblem.com and follow the directions it contains. The instructions are clear, but must be followed precisely.

If your battery is subject to the recall, Dell Inc. states the following:

"Batteries subject to recall should not be used while awaiting a replacement battery pack from Dell Inc. You may continue to use your laptop computer using the AC adapter power cord originally provided with your notebook."

Please note that the recall applies only for the batch of batteries manufactured in Japan.