'Corporate image at stake': The impact of crises and response strategies on consumer perceptions of corporate brand alliances

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1

Abstract

Corporate co-branding, or brand alliances, is a popular strategy, regarded as beneficial to the allied brands. There are, however, caveats to this strategy due to crises concerning one of the partner brands. Employing an experiment, we investigate the impact of crisis types and response strategies, and the interactions, on corporate image of the culpable ally, the non-culpable partner, and the alliance. Results show that preventable crises, high in controllability and intentionality, are detrimental to the image of the culpable ally. Deny response is, nonetheless, effective for restoring corporate image, when compared with diminish or acknowledge/rebuild responses. We further demonstrate that the non-culpable partner suffers from crises only indirectly, due to negative post-crisis attitudes toward the alliance, which in turn influence intentions to purchase alliance offering. Our findings underscore the need for corporate brands to use co-branding with caution, carefully planning for crises, and judiciously considering the viability of response strategies.

Keywords: corporate co-branding; crisis; corporate image; crisis response strategies; experiment; structural equation modeling

'Corporate image at stake': The impact of crises and response strategies on consumer perceptions of corporate brand alliances

1. Introduction

Corporate co-branding (or brand alliances) is a popular brand management strategy, whereby two or more corporate brands enter a short-term or long-term association (Kahuni, Rowley, & Binsardi, 2009; Rao, Qu, & Ruekert, 1999; Simonin & Ruth, 1998). Alliances between Nike and Apple, Dell and Intel, Barnes and Noble with Starbucks, Mercedes-Benz and Swatch are notable examples. The popularity of co-branding is reflected in growing academic interest (e.g., Lafferty & Goldsmith, 2005; Park, Jun, & Shocker, 1996; Singh, 2016). Extant research highlights a number of benefits associated with co-branding, including creating a point of differentiation for partner brands (McCarthy & Norris, 1999), diluting the risk of entering new markets (Leuthesser, Kohli, & Suri, 2003), enhancing brand equity (Kalafatis, Remizova, Riley, & Singh, 2012; Washburn, Till, & Priluck, 2004), and the transfer of favorable associations (Besharat & Langan, 2014). Moreover, co-branding is shown to be an effective strategy for individual brands to signal high quality, and thus enhance purchase intentions and positive word-of-mouth (Rao et al., 1999).

Increasingly, there are cases of corporate brand alliances experiencing crises. For example, Southwest Airlines suffered negative publicity following a scandal and media hype surrounding the alleged treatment of captive whales by SeaWorld (The Guardian, 2014). Given the long-standing partnership between Southwest Airlines and SeaWorld, the scandal led to a 35 per cent decline in SeaWorld's share price, public protests, and criticism against Southwest Airlines. Similarly, Ford received unfavorable media attention in the wake of the tire scandal affecting its partner brand, Firestone (The Economist, 2001). The Firestone crisis led to the recall of over 20 million tires, the loss of market value for the partner brands, and the termination of a nearly 100-year long relationship between Ford Motor Company and

Firestone. Given the recurrence of corporate crises, managers strive to understand the effect of such events on the corporate brand, and how best to respond.

Research in social psychology suggests that negative events such as crises trigger attributional thinking (Heider, 1958; Weiner, 1985), whereby consumers assess whether the crisis was within control of the brand causing the wrongdoing and could have been prevented (controllability), and if the brand intentionally caused the wrongdoing (intentionality); consumers accordingly assign blame. Attributional thoughts ultimately influence perceptions of the wrongdoer. In the context of brand alliances in crisis, attributional thoughts might encourage consumers to inspect the credibility of signals conveyed by the culpable brand, with consequent changes in perceptions (Rodrigues & Krishnamurthy, 2016). Crises triggering high attributions of controllability and intentionality might provide cues to the low quality of the culpable brand (Rao & Ruekert, 1994), which becomes particularly vulnerable to consumer sanctions (Connelly, Certo, Ireland, & Reutzel, 2011; Rao et al., 1999).

Notably, following a crisis, consumers often expect the culpable brand to provide a response (Dawar & Pillutla, 2000). Prior research suggests that response strategies minimize the negative effects of the crisis by restoring consumer confidence (Dutta & Pullig, 2011), and by protecting the corporate brand's reputational assets (Coombs, 2007). Other studies further explain the effective impact of response strategies that match the crisis type, in line with the contingency-based view of crisis responses (Claeys, Cauberghe, & Vyncke, 2010; Dutta & Pullig, 2011). Based on the above viewpoint, response strategies interact with crisis types such that consumers evaluate response strategies in the light of the crisis. Extant evidence on the interaction between crisis types and responses offers inconsistent findings. Some studies report denial of wrongdoing (Deny) as an effective response strategy in crises where integrity is at stake (e.g., Ferrin, Kim, Cooper, & Dirks, 2007; Kim, Ferrin, Cooper, & Dirks, 2004), whilst others do not corroborate the above (e.g., Dutta & Pullig, 2011). In

4

addition, there are studies detecting no interaction effect between crisis and response types (e.g., Claeys et al., 2010; Coombs & Holladay, 1996). The above inconsistency of findings could be explained by the fact that past research examines crisis types based on either controllability (e.g., Claeys et al., 2010), or intentionality attributions, by distinguishing between competence-based and integrity-based crises (e.g., Ferrin et al., 2007; Kim et al., 2004). None of prior studies, however, considers crises based on both key attributions.

We contend that not all crises are the same, consistent with past research (Coombs, 2006). We also put forward the view that attributions of controllability and intentionality are intertwined in crises, thus need to be considered concurrently. In fact, a preventable crisis denotes high controllability as well as intentionality, and it can also be related to integrity. Aiming to reconcile the inconsistency of findings from prior research, we investigate the interaction between crisis types and response strategies. We adopt a well-established typology of crises (Coombs, 2006) that accounts for the attributions of controllability and intentionality. We distinguish between preventable, accidental, and victim crises and examine their interaction with three response strategies, namely deny, diminish, and acknowledge/rebuild (Coombs, 2006; 2007). We focus on perceptions of image at the *corporate* brand-level given the ubiquity of corporate brands in alliances, and we thus extend prior research addressing global consumer attitudes toward brands and/or celebrities in crisis (e.g., Carrillat, d'Astous, & Lazure, 2013; Dutta & Pullig, 2011; Thomas & Fowler, 2016).

In addition to influencing perceptions of the culpable ally, crises could also shape perceptions of the alliance partner and attitudes toward the alliance. Extant research on celebrity endorsement brand alliances shows that in scandals involving a celebrity, the endorsing brand suffers from weakened consumer brand attitudes and purchase intentions (e.g., Carrillat et al., 2013; Till & Shimp, 1998). Further, negative perceptions of the brand responsible for the transgression transfer to the non-culpable partner, if the latter is perceived

as being aware of the wrongdoing (e.g., Votolato & Unnava, 2006). Prior research makes an implicit assumption that the culpable ally, the non-culpable partner, and the alliance are part of a triad and all three parties equally suffer from the crisis. In practice, only one brand in the alliance is culpable for the crisis and negative perceptions might be 'localized' to the culpable entity in the triad, consistent with the principle of local relevance from attribution theory (Heider, 1958). Accordingly, crises in co-branding might be 'localized' to the culpable corporate ally and negative perceptions only transfer to the non-culpable partner indirectly, due to the partner brand's belonging to the alliance. The non-culpable partner might, therefore, be partially exempted from the potentially detrimental effects of the crisis. Aiming to extend prior research and drawing on the principle of local relevance (Heider, 1958), we study how crises and response strategies affect the alliance, and whether the non-culpable partner is affected by the crisis indirectly via the alliance.

Our study advances knowledge on a hitherto overlooked type of brand alliance, that is, corporate co-branding, in the context of crises. We demonstrate that the interface between corporate co-branding and organizational crisis literature streams is valuable in further understanding on post-crisis consumer evaluations of corporate co-branding. Our findings reconcile contradictory evidence on the interaction between crisis types and response strategies. Notably, we introduce and test corporate image as a post-crisis response, and as antecedent to attitudes toward the alliance and purchase intentions. Our study offers important guidelines to managers regarding partner selection, the adoption of a viable crisis response strategy, and the management of corporate image following a crisis.

2. Theoretical background and hypotheses development

Prior studies on co-branding identify partner brands' attributes (Park et al., 1996), perceived fit between partner brands (Lafferty, 2007), brand type (Vaidyanathan & Aggarwal, 2000), and pre-alliance attitudes (Lafferty, Goldsmith, & Hult, 2004; Simonin & Ruth, 1998)

as antecedents to alliance evaluations. In corporate co-branding research, an important antecedent to attitudes toward the alliance, namely corporate image (CI), has thus far been overlooked. Crucially, evidence on the effects of crisis types and response strategies on CI perceptions and attitudes toward the alliance is scant and merits attention. Extant research examines celebrity endorsers involved in a crisis (e.g., Carrillat, d'Astous, & Christianis, 2014; Votolato & Unnava, 2006); by contrast, crises in corporate co-branding have so far not received scholarly attention. We propose and test a model of CI perceptions in corporate brand alliances undergoing a crisis, where the culpable brand endeavors a response (see Figure 1). We hereafter refer to the culpable brand as "Brand A" and the non-culpable partner as "Brand B".

[insert Figure 1]

2.1 The role of corporate crises and response strategies

Corporate crises entail *"unexpected events that threaten a brand's perceived ability to deliver expected benefits"* (Dutta & Pullig, 2011, p. 1281). Consistent with signaling theory (Spence, 1973), crises can embody signals of the 'bad' character of the brand. As signals, crises can put the credibility of the brand into question, and ultimately influence responses to the brand's actions (Connelly et al., 2011; Rao et al., 1999; Spence, 1973). As brands in an alliance share meaning and associations, crises might affect the culpable brand individually, and the alliance overall. Drawing upon signaling theory, we posit that crises function as signals and motivate consumers to question the credibility of the culpable ally in providing high quality offerings. Given the alliance context, crises can also negatively influence the alliance, as manifested in lowered CI and attitudes toward the alliance.

In corporate branding, crises can be of different types. For example, crises can vary based on perceived controllability of the brand, hence depending on whether the brand or a third-party agent is perceived to have had control over the crisis and as being responsible (Coombs, 2006). Further, crises can vary in the level of perceived intentionality behind the

brand's actions, thus based on whether the brand is perceived as deliberately committing violations (Coombs & Holladay, 1996). Based on controllability and intentionality, Coombs (2006, 2007) propounds three crisis types: 1) *preventable* (i.e. the brand knowingly breaches the law causing damage to consumers), 2) *accidental* (i.e. the brand lacks control over the crisis yet causes damage to consumers), and 3) *victim* (i.e. the brand unknowingly causes damage to consumers due to the actions of a third-party).

A key question is whether crises of different type vary in their influence on consumer perceptions of allied brands. In this respect, extant evidence is limited to a few studies focusing on crises that involve the individual brand (Cho & Gower, 2006; Claeys et al., 2010; Utz, Schultz, & Glocka, 2013), brands in celebrity endorsements (Carrillat et al., 2014), and buyer-supplier alliances (Votolato & Unnava, 2006). Prior studies examine crises caused by internal agents, such as unethical corporate behavior (Bradford & Garrett, 1995; Coombs & Holladay, 1996), yet overlook crises caused by an external agent whereby a partner brand is a victim and lacks intentionality (for a summary of relevant studies on crises and response strategies, see Appendix A). There is, also, no research examining how crisis types differentially impact perceptions of the image of corporate brands in an alliance.

Seeking to address the above knowledge gap, we investigate how the three crisis types discussed above differentially impact CI of allied brands, and attitudes toward the alliance. The crises typology given by Coombs (2006) is appropriate for our study as it accounts for attributions of controllability and intentionality. Drawing on attribution theory (Heider, 1958), we argue that corporate crises, as negative events, prompt attributional thoughts. By engaging in attributional thoughts, consumers look for the cause of negative events in an effort to gain control over reality and to plan for the future (Folkes, 1988). In the context of corporate brand alliances in crisis, attributions of controllability and intentionality related to the crisis enable consumers to assess the credibility of signals emanated by the allied brands

and by the alliance. In such quest for the cause of the crisis, consumers evaluate the culpable

ally particularly harshly (Weiner, 1985).

We posit that crises associated with high attributions of controllability and intentionality,

such as preventable crises, lead to particularly negative customer responses. Preventable

crises make consumers question the credibility of signals emanated by the allied brands

and/or the alliance as a whole. It follows that CI of allied brands and attitudes toward the

alliance are less positive in preventable crises, than in accidental or victim crises, which are

typically associated with low controllability and intentionality. In preventable crises, the

culpable ally is likely to suffer the most by being perceived as negligent to quality control,

and/or as misallocating effort that could have prevented the crisis (Kim, Avery, & Lariscy,

2009). Negative perceptions will be 'localized' to the culpable ally, consistent with the

principle of local relevance in attribution theory (Heider, 1958) postulating that *"If*

individuals perceive the cause of an event to be restricted to the immediate nature of x and

the simple fact that x has caused it, associated stimuli will retain their identity in spite of their

being organized into units" (p. 253). The non-culpable partner, by contrast, is likely affected

by the crisis, though only indirectly through diminished attitudes toward the alliance. In

other words, the non-culpable partner will suffer from negative perceptions due to revised

perceptions of alliance. The effect of preventable crises will be evidenced by lowered CI of

alliance partners and lowered attitudes toward the alliance. Hence:

H1a-c: When compared with victim and accidental crises, preventable crises will lead to

lower (a) CI of Brand A, (b) CI of Brand B and (c) attitudes toward the alliance.

Causal attributions triggered by crises (Heider, 1958; Weiner, 1985) can, however, be

discounted when credible alternative explanations are present. This contention is in line with

the discounting principle from attribution theory (Kelley, 1973). We argue that in the event

of corporate crises, the discounting principle applies when consumers evaluate the brand's

crisis response favorably. When the culpable brand responds to allegations, consumers might use such information in order to discount attributions of controllability and intentionality linked to the crisis, and related negative signals (Bradford & Garrett, 1995).

Extant research considers the impact of crisis responses on consumers' attitudes toward the culpable brand (Claeys & Cauberghe, 2014; Dawar & Pillutla, 2000), brand reputation (Dean, 2004), and equity (Coombs & Holladay, 2008; Crijns, Cauberghe, Hudders, & Claeys, 2017). So far, only Bradford and Garrett (1995) examine the effect of crisis responses – no response, concession, deny, excuse, and justification – on CI perceptions. The authors show that consumers report favorable CI perceptions when presented with one of the five communication responses, as compared with no response. The above results might be explained by the severe nature of the crisis (i.e. product safety issue) examined in the study.

Aiming to extend prior research and drawing upon a well-established classification of crisis responses by Coombs (2006, 2007), we investigate how three response strategies - deny, diminish, and acknowledge/rebuild - differentially impact CI of allied brands and attitudes toward the alliance. Coombs (2006, 2007) defines; *deny* as an attempt to decline crisis responsibility affirming allegations as untrue (also known as scapegoat), *acknowledge/rebuild* as an attempt to accept crisis responsibility and to find remedy, and *diminish* as an attempt to minimize perceived crisis responsibility. Consistent with the above conceptualization, response strategies differ in the extent to which a brand shows willingness to take responsibility, to minimize the damage caused by the crisis, and to proactively find a remedy. In fact, in deny, the brand takes no responsibility for the wrongdoing and no action to remedy the situation, while the opposite applies to acknowledge/rebuild response.

We put forward the view that consumers differentially evaluate the three response strategies depending on implied attributions of controllability and intentionality. By implying no controllability, deny and diminish responses are expected to lead to less favorable CI and

attitudes toward the alliance than acknowledge/rebuild response. The act of denying and

deflecting responsibility away from the brand is likely to encourage consumers to question

the credibility of signals related to the brand and the alliance (Dutta & Pullig, 2011).

Acknowledge/rebuild response, by contrast, addresses consumers' need for explanations and

informational fairness; thus, it is expected to lead to more favorable responses (Coombs,

2007). In celebrity endorsement scandals, excuse and repentance responses (akin to diminish

and acknowledge/rebuild) are found to mitigate the negative effects of brand transgressions

(Thomas & Fowler, 2016). We therefore hypothesize that:

H2a-c: When compared with acknowledge/rebuild response, deny and diminish responses

will lead to lower (a) CI of Brand A, (b) CI of Brand B, and (c) attitudes toward the alliance.

We further posit that the interaction between crisis type and response strategies affects

consumer evaluations. Such interaction effect has been only partially investigated in prior

research, with mixed findings (see Appendix A). Research on trust violations suggests that

the efficacy of response strategies at reducing perceived risk (e.g., Dutta & Pullig, 2011) and

repairing trust (e.g., Ferrin et al., 2007; Kim et al., 2004) is contingent upon crisis types.

Specifically, Ferrin et al. (2007) show that in integrity-based violations, an apology can

backfire as the brand's guilt and lack of integrity is signaled. By contrast, deny repairs

integrity violations as responsibility and intentionality are shifted to a third party, and

consumers give the seemingly culpable brand the benefit of the doubt (Kim et al., 2004).

Deny response is found to be more effective than apology and/or acknowledge responses in

attracting favorable character judgments (e.g., Ferrin et al., 2007).

By contrast, Claeys et al. (2010) do not find evidence of an interaction effect between

crisis type and response strategies for organizational reputation. The above finding can be

attributed to the way the interaction is tested in Claeys et al. (2010). The authors test crisis

response strategies matched or unmatched with the level of responsibility implied by the

crisis. As deny is matched with victim crisis, deny response is examined in the context of victim crises only. In practice, and consistent with Coombs (2006), deny might follow both accidental (as the cause of an accident is denied) and preventable crises (as companies engage in scapegoating). We therefore investigate how three crisis types – preventable, accidental and victim – interact with three response strategies, namely deny, diminish, and acknowledge/rebuild.

Our study aims to reconcile mixed prior findings concerning the interaction between response strategies and crisis types. We postulate that response strategies work best when intentionality and controllability attributions are discounted. Acknowledge/rebuild and diminish responses, which signal the brand's lack of deliberate actions concerning the crisis, will be effective after victim and/or accidental crises, which are low in intentionality and controllability. By contrast, deny response is best suited following preventable crises. When considered in isolation, deny is found to be inadequate at mitigating negative post-crisis corporate image perceptions (Bradford & Garrett, 1995). The effect of deny would, however, differ when its interaction with crisis types is examined. Whilst intentionality attributions cannot be discounted in preventable crises, deny could reduce perceived brand controllability and dishonesty. A real-life example of the above is Papa John's response to a wage crisis. In response to accusations of underpaid workers at franchised stores, the restaurant chain stated that the actions of independent franchisees cannot be controlled (New York Post, 2013). By denying culpability, the chain lowered controllability and dishonesty perceptions.

We contend that similar to integrity-based violations (Kim et al., 2004), preventable crises offer clues about the low integrity of the culpable brand that did not attempt to circumvent the crisis. In preventable crises, deny might be effective at encouraging consumers to positively reframe their perceptions of the culpable brand in a positive light, as manifested with positive CI perceptions. Admission of guilt through apology and

acknowledgement is, by contrast, inefficacious in such crises, where damage repair is not possible (Kim et al., 2004). The above contention is consistent with research showing that apology, if not appropriately delivered, can lead to negative responses and backlashes, especially in a public context (Goodwin & Ross, 1990; Zechmeister, Garcia, Romero, & Vas, 2004), and if seen as a 'cheap' response (Rasoulian, Grégoire, Legoux, & Sénécal, 2017). Acknowledge/rebuild and diminish response strategies are, by contrast, likely to be effective following accidental and victim crises, which imply low crisis intentionality and controllability, and might therefore be perceived as an anomaly. Following acknowledge/rebuild, consumers might believe that the brand will try to protect itself and consumers from incurring similar events in the future. Thus:

H3a-c: In preventable crises (vs victim and accidental crises), deny response (vs diminish and acknowledge/rebuild responses) will lead to higher (a) CI of Brand A, (b) CI of Brand B and (c) attitudes toward the alliance.

2.2 *The effect of corporate image on co-branding attitudes and purchase intentions*

Once the effects of crises and response strategies on the corporate image (CI) of allied brands are established, it is crucial to understand the impact of CI on profitable customer outcomes such as alliance evaluations and purchase intentions. CI, which comprises of *"the sum total of their perceptions of the corporation's personality characteristics"* (Spector, 1961, p. 47), is typically set by the company's stakeholders and their perceptions of what the company stands for (Balmer, 2012). CI is a strategic resource conveying the company's principal constituents (Gray & Balmer, 1998), which unlike reputation is built within a shorter time span (Gray & Balmer, 1998). Despite the breadth of existing research on CI (e.g., Lopez, Gotsi, & Andriopoulos, 2011; Van Riel, Stroeker, & Maathuis, 1998), the impact of CI on consumer attitudes of brand alliances in crisis so far remains unknown.

Research in psychology suggests that people's beliefs, attitudes and perceptions about stimuli held in memory are enduring, and often influence evaluations of, and responses to, new signals (e.g., Anderson, 1981; Fazio, Chen, McDonel, & Sherman, 1982; Fazio, Powell, & Williams, 1989). When presented with new signals, consumers often compare new evidence against existing beliefs, attitudes and perceptions retrieved from memory (Fazio et al., 1982). A crisis might send new signals, which are interpreted in the light of cognitively-held information about individual brands in the alliance. Accordingly, perceptions of the alliance are formed. We argue that cognitively-held perceptions about the image of the individual corporate brands influence attitudes toward the alliance (e.g., Fazio et al., 1982; Lafferty et al., 2004; Rodrigue & Biswas, 2004). The above is consistent with research on new products showing that CI influences evaluations of new products (Brown & Dacin, 1997), especially in high-risk purchases (Gürhan-Canli & Batra, 2004). Thus:

H4: CI of Brand A will positively influence attitudes toward the alliance.

H5: CI of Brand B will positively influence attitudes toward the alliance.

Research shows that brand alliances positively influence consumer attitudes toward the individual partner brands (Lafferty et al., 2004; Simonin & Ruth, 1998), perceptions of quality, willingness to pay a premium price, and purchase intentions (Rodrigue & Biswas, 2004), especially when the partner brands enjoy high congruence (Swaminathan, Reddy, & Dommer, 2012). Consistent with signaling theory (Spence, 1973), brand alliances function as signals of quality, thus provide consumers with assurance about the quality of the alliance offering (Rao & Ruekert, 1994; Rao et al., 1999). Quality assurance lowers perceived risk of the offering, and thus assists consumers in making purchase decisions (Park et al., 1996; Rodrigue & Biswas, 2004). Based on the above, we argue that an offering launched via an alliance is perceived as high quality, thus fosters high consumers' purchase intentions. Thus:

H6: Attitudes toward the alliance will positively influence intentions to purchase the alliance offering.

3. Methodology

3.1 Research design and sample

We employed a 3 (crisis response: deny vs acknowledge/rebuild vs diminish) by 3 (crisis type: accidental vs preventable vs victim) between-subjects experiment to test the conceptual model in Figure 1. A sample of UK participants was recruited from a reputed online consumer panel, Prolific Academic (Peer, Brandimarte, Samat, & Acquisti, 2017). The sample represented a cross-section of demographics (68% female; age ranged from 18 to 65). The mean age of respondents was 24.5 (SD = 17.54). Altogether, 558 valid responses were obtained (60-64 responses per condition).

3.2 Stimuli

We created alliance scenarios between well-known corporate brands facing a corporate crisis, whereby Brand A is the culpable ally and Brand B is the non-culpable partner. For generalizability purposes, we tested the model across multiple sectors, namely retailing (Brand A – Tesco, Brand B – Esso), fashion and technology (Brand A – Nike, Brand B – Apple) and automotive (Brand A – Toyota, Brand B – BMW). The use of real brands is consistent with prior co-branding research (e.g., Simonin & Ruth, 1998; Singh, 2016; Washburn et al., 2004). Real brands activate genuine brand perceptions/responses, thereby enhancing the realism of the experiment (Morales, Amir, & Lee, 2017).

We manipulated three types of crisis and response strategies following Coombs (2006; 2007). The crisis types included: a product recall due to the use of health-harming ingredients by suppliers (victim), a product recall due to the inadvertent use of defective parts (accidental), and a breach of employee rights and safety regulations at the workplace (preventable). The response strategies included: a) denial of allegations (deny), b) a

corporate statement that the mistake was unintentional and part of the company's daily operations (diminish), and c) acknowledgement of blame, followed by apology and remedy (acknowledge/rebuild). Detailed stimuli are provided in Appendix B.

As part of the manipulation checks, participants were asked to identify the nature of the crisis as being caused by 'an agent external to the alliance' (M_{victim} = 4.85, $M_{preventable}$ = 2.70, $M_{accidental}$ = 3.92, F (2, 140) = 19.86, p = .000), 'the culpable brand who knowingly caused damage' (M_{victim} = 2.92, $M_{preventable}$ = 4.72, $M_{accidental}$ = 3.43, F (2, 140) = 14.50, p = .000) and 'the culpable brand who was unexpectedly affected' (M_{victim} = 3.75, $M_{preventable}$ = 2.65, $M_{accidental}$ = 4.10, F (2, 140) = 10.29, p = .000). For response strategies, participants were asked if 'the brand denied responsibility' (M_{deny} = 5.92, $M_{diminish}$ = 4.72, $M_{acknowledge}$ = 2.02, F (2, 140) = 73.61, p = .000), 'claimed lack of control over the damage caused (M_{deny} = 4.51, $M_{diminish}$ = 4.85, $M_{acknowledge}$ = 2.29, F (2, 140) = 35.11, p = .000) and 'attempted to seek remedy' (M_{deny} = 2.14, $M_{diminish}$ = 2.87, $M_{acknowledge}$ = 6.17, F (2, 140) = 113.09, p = .000). Overall, results show that crisis types and response strategies are successfully manipulated.

3.3 Data collection and measures

For data collection, we employed an online self-completion questionnaire. Participants were presented with each individual partner brand and asked to report CI perceptions. The alliance, the crisis scenario concerning Brand A in the respective alliances (i.e. Tesco, Nike and Toyota), and the response strategy followed. Unrelated filler material creating temporal separation between the measurements of variables minimized common method bias (e.g., Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Schuman & Presser, 1996). Following the filler material, participants answered questions related to post-crisis CI perceptions, attitudes toward the alliance, intentions to purchase the alliance offering, along with manipulation check measures. The randomization of questions minimized bias associated with the order of presentation of questions (Bradburn & Mason, 1964; DeMoranville & Bienstock, 2003).

The questionnaire was piloted (n=18), and participants were asked to indicate whether they understood the questionnaire, and to rate brand familiarity. For brand familiarity checks, participants indicated whether they were 'familiar with the brand' (M_{Tesco} = 6.57; M_{Esso} = 5.57; M_{Toyota} = 6.27; M_{Nike} = 6.43; M_{BMW} = 6.50; M_{Apple} = 6.70), 'recognized the brand' (M_{Tesco} = 6.67; M_{Esso} = 5.73; M_{Toyota} = 6.43; M_{Nike} = 6.60; M_{BMW} = 6.67; M_{Apple} = 6.80) and 'have heard of the brand before' (M_{Tesco} = 6.70; M_{Esso} = 5.90; M_{Toyota} = 6.63; M_{Nike} = 6.60; M_{BMW} = 6.87; M_{Apple} = 6.87) on a 7-point Likert-type scale. Results confirm that participants are familiar with the selected brands and they understand all questions.

We adapted and contextualized established measures (see Table 1). Correlations of our conceptual model constructs are in Appendix C. Results from Harman's one factor test of common method bias showing a three-factor solution with 69.76 per cent of the variance explained confirm that common method bias is not an issue for concern.

[Insert Table 1]

4. Analysis and results

MANOVA was run with crisis type and response strategies as independent variables, CI of Brand A, CI of Brand B and attitudes toward the alliance as dependent variables, and pre-crisis CI of Brand A and Brand B as covariates. Descriptive statistics are included in Table 2. The main effect of crisis type is significant for CI of Brand A (F (2, 547) = 6.61, p = .001, η^2 = .024) and attitudes toward the alliance (F (2, 547) = 4.25, p = .015, η^2 = .015), but not for CI of Brand B (F (2, 547) = .407, p = .666, η^2 = .001). As expected, CI of Brand A and attitudes toward the alliance are the lowest in preventable crises, where the corporate brand is perceived to have high controllability and intentionality for the wrongdoing. Hence, our hypotheses that preventable crises lower CI of Brand A (H1a) and attitudes toward the alliance (H1b) are supported. Whilst preventable crises are damaging for the image of the

17

culpable corporate ally, and for the alliance overall, the same crises affect the non-culpable

partner only indirectly via diminished attitudes toward the alliance.

[Insert Table 2]

Contrary to our predictions that deny and diminish responses would lower CI of Brand

A, Brand B and attitudes toward the alliance (H2a-c), the main effect of response strategies

on CI of Brand A (F (2, 547) = 1.61, p = .200, η^2 = .006), CI of Brand B (F (2, 547) = .626, p

= .535, η^2 = .002), and attitudes toward the alliance (F (2, 547) = .365, p = .695, η^2 = .001) is

not significant. The results indicate that response strategies might not work in isolation.

Efforts in taking responsibility for the crisis and in seeking remedy, if considered alone, do

not restore positive image perceptions of the allied corporate brands. The above finding is

qualified by a significant interaction effect between crisis type and response strategies on CI

of Brand A (F (4, 547) = 2.86, p = .023, η^2 = .020), as illustrated in Figure 2.

[Insert Figure 2]

Planned contrasts show that in accidental crises, participants exhibit more favorable CI

of Brand A if presented with diminish rather than deny response ($M_{diminish}$ = 5.12, M_{deny} =

4.77, t (184) = 2.05, p = .042). The difference in CI perceptions between deny and

acknowledge/rebuild ($M_{acknowledge/rebuild}$ = 4.99, t (184) = 1.28, p = .202) or diminish and

acknowledge/rebuild is, however, not significant (t (184) = -0.76, p = .450). In preventable

crises, participants show more favorable CI of Brand A when presented with deny as opposed

to acknowledge/rebuild response (M_{deny} = 5.10, $M_{acknowledge/rebuild}$ = 4.61, t (182) = 2.36, p =

.019). CI perceptions, however, do not differ when acknowledge/rebuild is compared with

diminish response ($M_{diminish}$ = 4.95, t (182) = -1.66, p = .099), or deny and diminish responses

are compared (t (182) = -0.71, p = .481). In victim crises, CI of Brand A does not differ

when deny and diminish (M_{deny} = 4.22, $M_{diminish}$ = 4.63, t (183) = 1.83, p = .069), deny and

18

acknowledge/rebuild ($M_{acknowledge/rebuild} = 4.57$, $t(183) = 1.55$, $p = .124$) or diminish and

acknowledge/rebuild responses are compared ($t(183) = 0.27$, $p = .791$).

Our hypothesis that deny response (vs diminish and acknowledge/rebuild) increases CI

of Brand A in preventable crises (H3a) is partially supported. The interaction effect is not

significant when CI of brand B ($F(4, 547) = 1.00$, $p = .404$, $\eta^2 = .007$) and attitudes toward

the alliance ($F(4, 547) = 0.49$, $p = .742$, $\eta^2 = .004$) are considered. Thus, H3b and H3c are

not supported. Overall, the above findings show that the effect of response strategies is

contingent upon the type of crisis encountered and underlying attributions.

Lastly, we tested H4-H6 employing partial least squares approach to structural equation

modeling (PLS-SEM) using SmartPLS 3.0 software (Ringle, Wende, & Becker, 2015).

Results show that Cronbach's alpha (α) and Composite Reliability (P_c) estimates for all

constructs are above the recommended thresholds of 0.7, thus confirming the internal

consistency reliability of scales (see Table 1; Henseler, Ringle, & Sinkovics, 2009). Further,

Average Variance Extracted (AVE) for all constructs exceeds the threshold of 0.5, thus

establishing convergent validity (Chin, 1998), while item loadings greater than 0.7 confirm

item reliability (see Table 1; Nunnally & Bernstein, 1994). Lastly, square roots of the

constructs' AVE are greater than their bivariate correlations with other constructs, hence

discriminant validity (Fornell & Larcker, 1981) is established.

The overall model shows good predictive accuracy (R^2 ranging from 0.38 to 0.39) and

predictive relevance (Stone-Geisser's $Q^2 > 0$) (see Table 3). CI of Brand A ($\beta = .278$, $t =$

7.97) and CI of Brand B ($\beta = .426$, $t = 13.32$) positively influence attitudes toward the

alliance which, in turn, enhance purchase intentions ($\beta = .623$, $t = 28.74$). Hence, our

hypotheses that CI of both allied brands influences attitudes toward the alliance, and in turn

purchase intentions (H4-H6), are supported.

[Insert Table 3]

5. General discussion

5.1 Theoretical contributions

Our study makes notable contributions to theory. First, it contributes to the literature on organizational crises by reconciling existing mixed evidence on the effects of response strategies and crisis types. We do so by examining the interaction between three well-established crisis types and crisis response strategies, in a hitherto overlooked context, namely corporate co-branding in crisis. Our result for an interaction effect between response strategies and crisis types is consistent with attribution theory suggesting that consumers strive to understand the cause of negative events by assessing the controllability and intentionality of the wrongdoer (Heider, 1958; Weiner, 1985). In corporate crises, attributions of controllability and intentionality influence consumers' evaluations of response strategies. Response strategies are effective when attributions of intentionality and controllability related to the crisis are discounted (Kelley, 1973). To be successful, the crisis response needs to lower perceptions that the crisis could have been controlled and/or that the brand intentionally caused it (Coombs, 2006). With the above, our study offers evidence of the discounting principle applying to image perceptions of the culpable ally (Brand A).

We show that deny is the most effective response strategy for preventable crises, where redemption and/or damage repair are often unattainable. The finding is consistent with evidence from research on trust repair (Kim et al., 2004), wherein deny is found to lower perceptions of controllability and dishonesty, whilst encouraging consumers to positively reframe their judgments about the culpable brand. Diminish responses are, in contrast, most effective in accidental crises. When presented with a diminish response, consumers seem to perceive the crisis as an anomaly (Kim et al., 2004).

Second, our study advances knowledge on the impact of crisis types and response strategies on a valuable, yet overlooked asset of the corporate brand, namely its image. Prior

studies provide a largely positive picture of co-branding as a brand management strategy (Besharat & Langan, 2014; Newmeyer, Venkatesh, & Chatterjee, 2014), which signals high quality (Rao et al., 1999) and leads to enhanced consumer-based brand equity (Washburn et al., 2004), increased sales and market share (Swaminathan et al., 2012). Prior research, however, does not address the possibility that crises pose a risk to the image of the *corporate* brand, especially when culpable. Attributional thoughts triggered by crises lead consumers to revisit signals emanated by the culpable corporate brand and the alliance overall. Drawing on the interface between attribution (Heider, 1958) and signaling theories (Spence, 1973), we show that crises differentially impact corporate image (CI) perceptions of the culpable brand and attitudes toward the alliance. Both CI of the culpable brand and attitudes toward the alliance, in fact, lower the most in the event of preventable crises. With the above evidence, we elucidate possible caveats associated with corporate co-branding as a brand management strategy, especially for the culpable corporate ally.

Interestingly, we find that crisis types impact CI of the non-culpable partner only to an extent. The non-culpable partner is in fact *indirectly* affected by preventable crises through lowered attitudes toward the alliance. With the above evidence, we depart from prior research suggesting that negative information conveyed by a corporate scandal can be detrimental for both the culpable brand and the non-culpable partner in the alliance (Kahuni et al., 2009; Till & Shimp, 1998). Our novel finding on the indirect negative impact of crises on the CI of the non-culpable partner is consistent with Votolato and Unnava (2006) showing that the non-culpable partner incurs risks due to crises, only if perceived as being aware of the culpable brand's wrongdoing.

The above evidence concerning the non-culpable partner also contributes to advancing co-branding research. Prior co-branding research adopts the view that, due to the alliance, both partner brands equally suffer from crises (Thomas & Fowler, 2016; Till & Shimp,

1998), even though the crisis is caused by one brand only (the culpable brand). Consistent with the principle of local relevance from attribution theory (Heider, 1958), we show that the crisis is 'locally relevant', thus affects predominantly the culpable ally. The non-culpable partner is only indirectly affected through diminished attitudes toward the alliance.

Lastly, we advance research on corporate co-branding by introducing and testing the impact of post-crisis CI on profitable customer outcomes. We show that CI is attended to when evaluating a brand alliance undergoing a crisis, and thus ultimately influences attitudes toward the alliance. Further, as the alliance signals the quality of the offering and assists with consumers' decisions (Rao & Ruekert, 1994; Rodrigue & Biswas, 2004), attitudes toward the alliance ultimately influence behavioral intentions.

5.2 Managerial implications

Our findings show that CI of allied brands positively influences consumer evaluations of corporate co-branding, and in turn, purchase intentions. We, therefore, recommend managers to assess CI of the brands considered for the alliance, and to avoid partnering with brands enjoying weak, or unfavorable, CI. Crucially, we demonstrate that corporate co-branding, whilst being a valuable brand management strategy, is not without caveats. This is especially evident in the event of crises. Our findings show that, following crises, both the culpable brand alleged for the wrongdoing and the alliance suffer. While predicting crises can be challenging or even impossible, managers are advised to exercise prudence while selecting the partner brand, and planning for crises. Even in circumstances where the brand is not culpable, negative consequences might follow as the alliance overall suffers. Given the above, we suggest that managers undertake a scenario planning exercise prior to entering an alliance, aimed at forecasting the likely impact of a crisis on the individual corporate brands and on the corporate brand alliance.

Considering that crises can damage the image of the culpable corporate brand, designing a response strategy from the onset seems practical. Notwithstanding, our findings challenge the prevalent notion that offering an apology and seeking remedy are always the most effective crisis responses. In fact, we show that deny response is effective in 'protecting' the culpable brand from the negative consequences of preventable crises, wherein the brand is perceived to be deliberately complicit in causing damage to consumers. In such crises, acknowledging responsibility and taking proactive steps toward finding a remedy confirms the brand's incompetence and can lead to a backlash. Deny, by contrast, largely fails to neutralize the detrimental effect of accidental crises. In view of the above, we recommend brand managers to judiciously consider, prior to implementation, the viability of response strategies in the light of crisis types.

6. Limitations and areas for further research

The study's limitations provide avenues for further research. We contend that attributions of controllability and intentionality influence consumer evaluations of crisis response strategies. Future studies could advance research by directly measuring causal attributions of controllability and intentionality, and by considering additional attributions such as stability and locus. Likewise, we show that deny can be an effective crisis response strategy as it does not entail acknowledgement of guilt, and consequently, consumers might give the accused party the benefit of the doubt (Kim et al., 2004; Schlenker, 1980). Future research could address this issue more explicitly, for instance, by testing for a possible 'benefit of the doubt effect', and the conditions under which such effect holds.

In our study, the alliance is visible and prominent to consumers. When highly visible, alliances might be especially prone to incurring risks associated with crises. Alliances enjoying low visibility might be comparatively less exposed to risk associated with crises, and the image of the culpable corporate brand might therefore be 'protected'. A fruitful

avenue for further research would be to investigate whether the visibility of alliances influences post-crisis evaluations. A related issue concerns the familiarity enjoyed by the allied brands in our study, which is high across conditions. Future research could manipulate the familiarity of allied brands in order to understand whether high familiarity provides a buffer against the detrimental effects of the crisis. Consumers might be inclined to discount negative information concerning highly familiar brands, and perceive crises related to such brands as anomalies.

Lastly, we employ Harman's one-factor test as statistical procedure to detect common method bias, consistent with Podsakoff et al. (2003). Despite being widely used in marketing research, the technique is not short of limitations. In a data simulation study, Fuller et al. (2016) show that, at typical reliability levels with common method variance at biasing levels, Harman's one-factor test might not detect bias. The consideration of alternative statistical procedures (e.g., Podsakoff, MacKenzie, & Podsakoff, 2012) could be worthwhile in future research.

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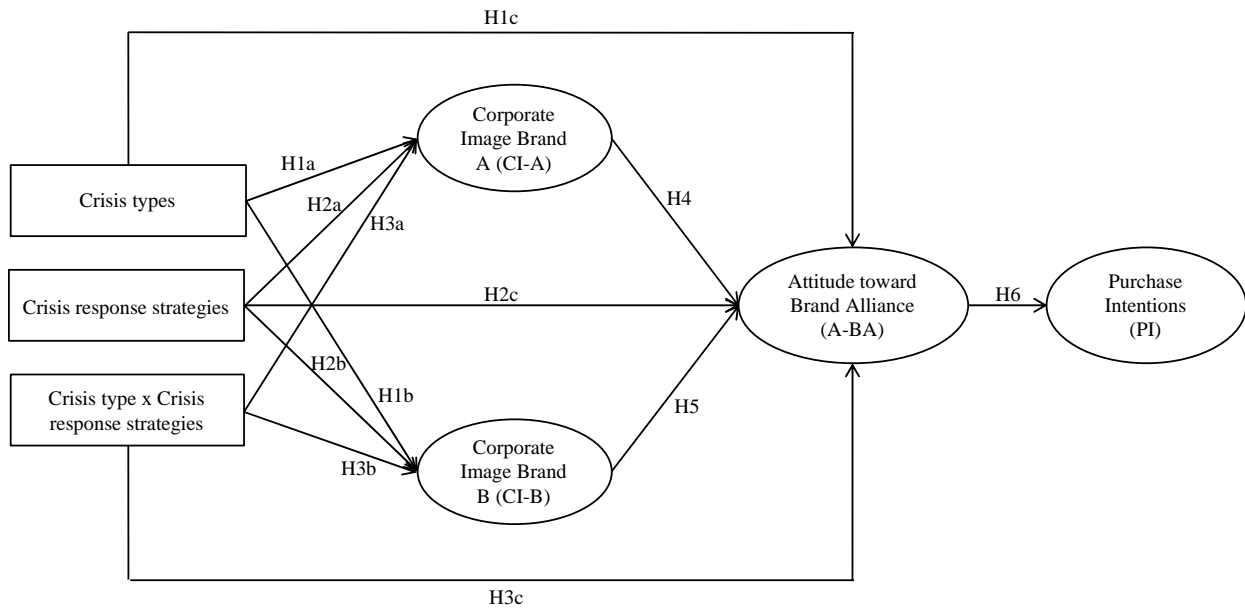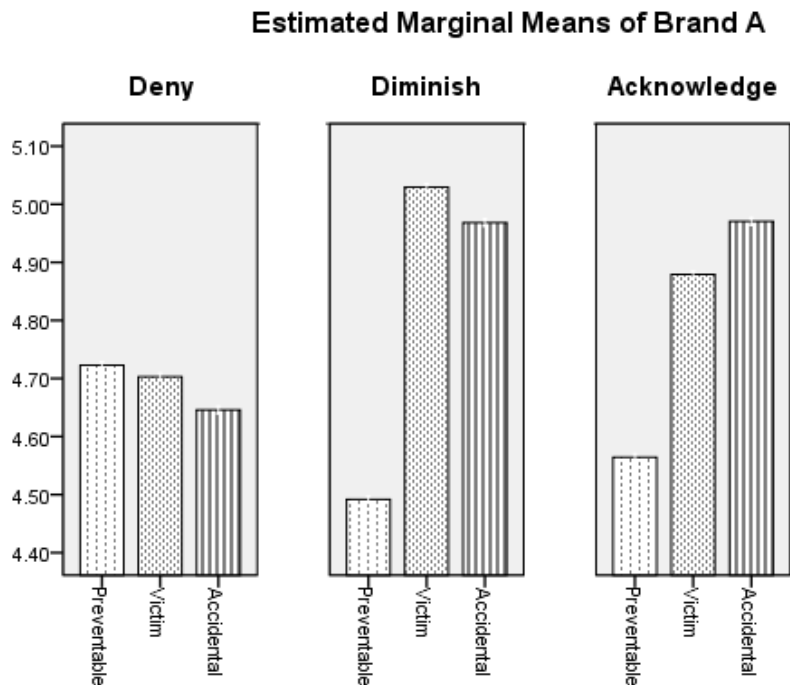
Figure 1: Conceptual Model

Figure 2: Interaction effect between crisis type and response strategies on CI perceptions toward Brand A

Estimated Marginal Means of Brand A

Model estimated with two Covariates: Pre-crisis CI perceptions toward Brand A set at 5.1205 and Pre-crisis CI perceptions toward Brand B set at 5.2061

Table 1: Measurement model

Construct items	Item loadings	AVE	CR	α
Corporate Image *(Riordan, Gatewood, & Bill, 1997)*		0.634[a]/0.690[b]	0.923[a]/0.940[b]	0.903[a]/0.924[b]
• Overall, I think [company name] has a good reputation in the community	0.870[a] / 0.742[b]			
• Overall, I think [company name] has a good reputation in the industry	0.853[a] / 0.832[b]			
• Overall, I think [company name] is actively involved in the community	0.747[a] / 0.714[b]			
• Overall, I think [company name] has a good company image	0.768[a] / 0.738[b]			
• Overall, I think [company name] is known as a good place to work	0.849[a] / 0.821[b]			
• Overall, I think [company name] has a good reputation among its customers	0.820[a] / 0.818[b]			
• Overall, I think [company name] has a better image than its competitors	0.898[a] / 0.892[b]			
Brand Alliance attitude (*Simonin & Ruth, 1998*)		0.867	0.951	0.923
• I think favorably of [company A and company B names]'s partnership	0.896			
• I like the partnership between [company A and company B names]	0.952			
• I think [company A and company B names] is a good partnership	0.945			
Purchase Intentions (*Lin, Chen, Chiu, & Lee, 2011*)		0.843	0.942	0.908
• I would purchase [company A and company B names]'s product	0.906			
• Given the chance, I intend to purchase [company A and company B names]'s product	0.940			
• It is likely that I will buy [company A and company B names]'s product in the near future	0.908			

Note: [a]Corporate image of culpable brand (Brand A); [b]Corporate image of non-culpable brand (Brand B); AVE = Average Variance Extracted; CR = Composite Reliability; α = Cronbach's Alpha; all items are on a 7-point Likert-type scale, 1=strongly disagree, 7=strongly agree

Table 2: Descriptive statistics

	Victim		*Preventable*		*Accidental*	
	Mean	**SD**	**Mean**	**SD**	**Mean**	**SD**
CI Brand A	4.88	1.16	4.47	1.25	4.95	0.96
CI Brand B	4.58	1.01	5.43	0.93	5.33	0.82
Attitudes BA	5.00	1.24	4.64	1.29	4.92	1.08
	Deny		*Diminish*		*Acknowledge/Rebuild*	
	Mean	**SD**	**Mean**	**SD**	**Mean**	**SD**
CI Brand A	4.69	1.19	4.90	1.07	4.72	1.18
CI Brand B	5.13	1.01	5.20	0.98	5.00	1.00
Attitudes BA	4.90	1.20	4.87	1.21	4.79	1.24

Note: CI (Corporate Image); BA (Brand Alliance)

Table 3: Structural model results

Paths	Path coefficient (t-statistic)	R^2	Stone-Geisser's Q^2
Corporate Image Brand A → Attitude to Brand Alliance	0.278 (7.97)*	0.38	
Corporate Image Brand B → Attitude to Brand Alliance	0.426 (13.32)*	0.38	0.31
Attitude to Brand Alliance → Purchase Intentions	0.623 (28.74)*	0.39	0.31

Note: *$p<.001$

Appendix A: Summary of the key literature on crises, response strategies, and interactions

Focus	Study	Crisis Context(s)	Dependent Variable(s)	Crisis Types/Responses	Key Finding(s)
Crises in Brands Alliance	Votolato & Unnava (2006)	Supplier-Buyer & spokesperson alliances	- Attitudes toward the host & partner brand	- Moral & Competence crises	Moral crises more detrimental in a spokesperson alliance. In a supplier-buyer alliance, the effect is reversed. Negative spill over to the host brand when perceived as partly culpable.
	Carrillat et al. (2013)	Celebrity endorsement scandal	- Brand Attitude - Purchase Intention	- Acceptance & Deny responses	Post-crisis brand evaluations more positive when a celebrity admits responsibility.
	Carrillat et al. (2014)	Celebrity endorsement scandal	- Attitudes toward brand & direct competitor	- Personal & Professional crises	Scandals about the endorser lower attitudes toward the endorsed brand and competitor brands, especially in personal crises.
	Thomas & Fowler (2016)	Defective product	- Attitudes toward a celebrity	- Excuse, Repentance & Ingratiation responses	Excuse & repentance mitigate negative celebrity evaluations. Ingratiation does not mitigate negative celebrity evaluations.
Interaction between crisis type & response strategy	Coombs & Holladay (1996)	Bombings and protests	- Organization Image - Attribution	- Transgression & Accident - No response, Matched & Mismatched responses	No significant interaction between crisis type and response strategies.
	Kim et al. (2004)	Filing incorrect tax returns	- Trusting Beliefs - Trusting Intentions	- Competence & Integrity crises - Deny & Apology responses	For competence crises, apology more effective at repairing trust. For integrity crises, deny more effective at repairing trust.
	Ferrin et al. (2007)	Filing incorrect tax returns	- Trusting Beliefs - Trusting Intentions	- Competence & Integrity crises - Reticence, Deny & Apology	For integrity crises, reticence less effective at repairing trust. For competence crises, reticence less effective at repairing trust.
	Kim, Kim, & Cameron, (2009)	Food poisoning and product explosion	- Organizational Responsibility	- Transgression & Accident - Corporate ability (CA)-focused & CSR-focused responses	For transgressions, CSR-focused responses more effective at influencing crisis responsibility perceptions. For accident crises, CA-focused responses more effective at influencing crisis responsibility perceptions.
	Claeys et al. (2010)	Product tampering, organizational misdeed, technical error	- Organizational Reputation	- Victim, Accidental & Preventable crises - Deny, Diminish & Rebuild responses	No significant interaction between crisis type and response strategies.
	Dutta & Pullig (2011)	Defective product and allegations of child labor	- Risk - Brand Attitude Brand Consideration	- Performance & Value-related crises - Deny, Reduction-of-offensiveness & Corrective action responses	For value-related crises, reduction-of-offensiveness as effective as corrective action at mitigating negative brand evaluations. In value-related crises, reduction-of-offensiveness (vs. corrective action) more effective at mitigating negative brand evaluations. Deny is unacceptable.
	Hegner, Beldad, & Kraesgenberg (2016)	Food safety issues and allegations of inhumane working conditions	- Trust - Purchase Intentions	- Product-harm & Moral-harm crises - Rebuild & Diminish responses	For moral-harm crises, no significant difference between rebuild and diminish response strategies. For product-harm crises, rebuild strategy more effective than diminish strategy at influencing trust perceptions.

APPENDIX B: Experimental scenarios

	Preventable crisis	Accidental crisis	Victim crisis
Deny response	Nike was accused of breaching labor violations and work place safety laws at one of its supplier factories. Reports reveal that significant labor compliances were broken, including the use of child labor to manufacture Nike's products. In response, Nike denied any knowledge of the violations and blamed its supplier for breaching their trust. Nike further asserted that there was no crisis as everything was under control.	Toyota was forced to recall millions of vehicles after a technical fault was discovered in the airbag of its vehicles. Toyota was unaware of the technical breakdown, which occurred during production, and recalled the product immediately when they became aware of the safety risk. In response, Toyota denied any knowledge of the fault, and blamed their supplier for the technical breakdown. Toyota further asserted that there was no crisis as everything was under control.	Tesco's beef burgers were found to contain horse meat. Tesco was not informed by their supplier about the mixed-up meat, and unknowingly sold it to the customers. Subsequently, the news was widely-publicized in which Tesco was implicated and was forced to recall all its beef-based products. In response, Tesco denied any involvement. Tesco blamed their suppliers for knowingly supplying contaminated meat and for breaching their trust and asserted that there was no crisis as everything was under control.
Diminish response	Same crisis as above In response, Nike stated that the situation was beyond its control. Nike further added that such situations are likely to occur as part of the normal operations in any organization.	Same crisis as above In response, Toyota stated that the situation was beyond its control. Toyota further added that such situations are likely to occur as part of the normal operations in any organization.	Same crisis as above In response, Tesco stated that the situation was beyond its control. Tesco further added that such situations are likely to occur as part of the normal operations in any organization.
Acknowledge/ Rebuild response	Same crisis as above In response, Nike took full responsibility for the situation and apologized to its customers. Furthermore, Nike started a campaign, in which 5% of its total sales were donated to a charity raising awareness about human rights violations worldwide.	Same crisis as above In response, Toyota took full responsibility for the situation and apologized to its customers. Furthermore, Toyota started a campaign focusing on the importance of safety while driving. The campaign emphasized seat belt usage and the avoidance of using mobile phones while driving.	Same crisis as above In response to the escalating crisis, Tesco took full responsibility for the situation and apologized to its customers. Furthermore, Tesco started a campaign, in which 5% of its total sales were donated to a charity providing clean drinking water in developing countries.

APPENDIX C: Constructs Correlations

	Corporate Image Brand A	Corporate Image Brand B	Attitudes toward Brand Alliance	Purchase Intentions
Corporate Image Brand A	1	.543*	.627*	.474*
Corporate Image Brand B	.543*	1	.545*	.289*
Attitude to Brand Alliance	.627*	--.545*	1	.650*
Purchase Intentions	.474*	.289*	.650*	1

Note: *p<.05