

Should Your Brand Pick a Side? How Market Share Determines the Impact of Divisive Corporate Political Stances

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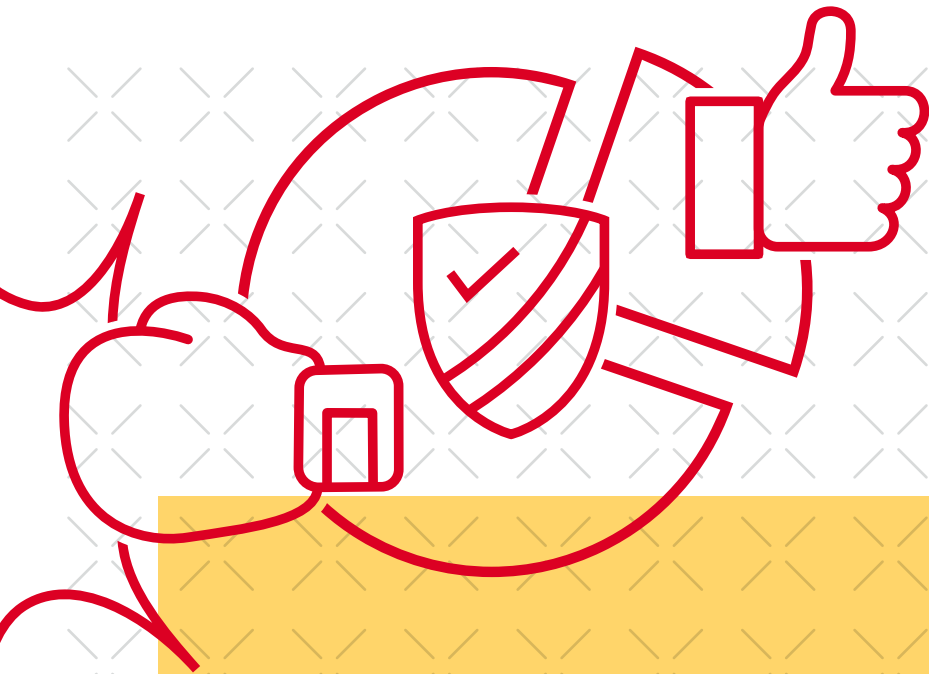
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Taking stances is getting popular for brands ✕ Brands are increasingly taking public stances on divisive social and political issues. Some notable examples include: After the Parkland School shooting, Delta Airlines eliminated promotional benefits for National Rifle Association members. When North Carolina passed a law restricting the use of public restrooms based on biological sex, PayPal canceled plans to open a new operations center in the state. More recently, the National Football League instituted a controversial policy prohibiting players from kneeling during the national anthem as protests of racial inequality; following this policy, Nike featured Colin Kaepernick, the polarizing face of the protests, in a prominent ad campaign. Most recently, a plethora of brands made statements regarding Donald Trump's unfounded claims of election fraud.

Clear stances are expected by consumers and feared by managers ✕ While consumers' calls for this corporate political advocacy (CPA) have increased, the population has also become increasingly polarized in their political views. This presents a challenge to brands, because taking a stance on a divisive issue risks attracting some consumers and alienating others. Further, research indicates that opposers of a brand action will react more strongly than those that support it. Reflecting this risk, managers are reluctant to risk alienating customers who oppose their position and in a survey of chief marketing officers, [the CMO survey 2018](#), the overwhelming majority (83%) believed it was inappropriate for their firm to "take a stance on politically-charged issues." However, according to our research, some brands can actually benefit



When the public opinion on a social matter is divided, it is riskier for large brands to engage in activism than for small brands.

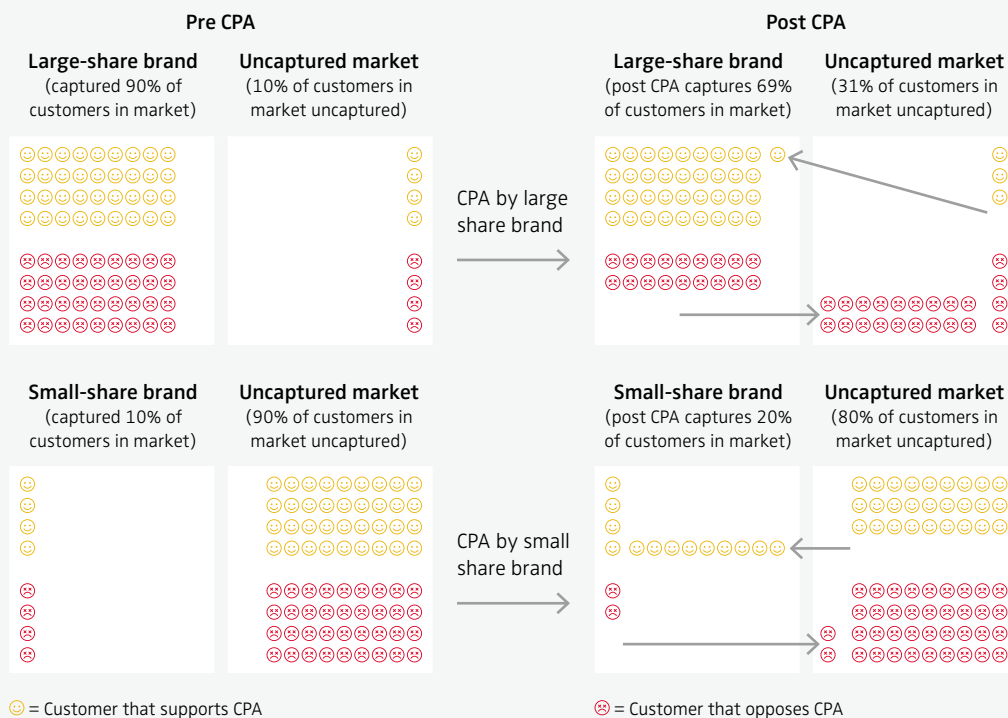


BOX 1

Why brands with large market shares are more likely to lose customers when they take a controversial stance

Customers that oppose a brand's political actions may decide to exit the relationship, and non-customer consumers that support the political position are more likely to start a relationship with the brand. In light of this sorting process, it becomes apparent that brands with large market shares have more customers to lose and fewer to gain, while brands with a small market share have more to gain and fewer to lose. When assuming that 50% of the population support a brands' political position and the other 50% oppose it, and assuming that those who oppose the position react twice as strongly as those who support it, then brands with more than 33% market share are likely to lose customers, while those with less than 33% are more likely to gain customers.

FIGURE 1 > Conceptual model for market-level response to CPA (corporate political advocacy)



Assumptions: CPA is equally supported/opposed, i.e. 50% support vs. 50% oppose.
Negativity bias = 2, i.e., lose 50% of unaligned; gain 25% of aligned.

We developed a quantitative model (Figure 1) to understand when a brand may ultimately gain or lose customers as a function of its market share, and we conducted several experiments to test these effects. Our results confirmed the negativity bias on an individual and a market level and found that perceived authenticity of a company's political action reenforced the positive market-level effects.



Brands with smaller market shares are more likely to benefit from corporate political advocacy, while brands with larger market shares are more likely to be harmed.



from CPA. While individual consumers respond to a brand's political actions according to their own political beliefs, the market level effect of a brand's political actions depends on its existing market share: Brands with smaller market shares are more likely to benefit from corporate political advocacy, while brands with larger market shares are more likely to be harmed.

Detailed insights from our experiments ✕

> Consumers act in line with their beliefs, but immediate reactions are stronger in cases of misalignment ✕

✕ Our results confirmed that consumers of a brand that engaged in CPA were more (less) likely to choose it when the brand's stance was aligned (misaligned) with their own. Moreover, we also observed a negativity bias in consumers' individual responses: Both the large- and small-share brands were more likely to lose an existing misaligned customer than to gain a new aligned customer. Nevertheless, the net market-level effect of CPA still depended on market share: The small-share brand gained more customers than it lost from CPA, whereas the large share brand lost more customers than it gained, even when it was of superior quality. Existing misaligned customers were approximately two times more likely to defect than new aligned customers were to adopt.

> Small brands can benefit from CPA, even if the major part of consumers oppose a stance ✕

✕ When a brand's initial market share is sufficiently small, engaging in CPA can result in a net increase in customers even if the brand takes a stance that consumers overwhelmingly oppose. Indeed, one experiment showed that a small-share brand gained customers, even when it took a stance that 72% of participants opposed. In contrast, large brands lose more than they gain, even when opponents and supporters were in balance.

> Authenticity is important, especially for consumers who agree with a stance and for small companies ✕

✕ Our experiments further demonstrate that for small share brands to benefit from CPA, their actions must be

viewed as authentic. This is because consumers who agree with a brand's position will only support the brand if they think the action is authentic. However, consumers who disagree with a brand's political position will be less likely to purchase from the brand regardless of whether they perceive the political position to be authentic or inauthentic.

In one experiment, we created an artificial marketplace where consumers chose between different sneakers. We varied the market share each brand received and introduced brands that differed in the quality rating and the authenticity level of the corporate socio-political action. Before consumers indicated the shoes they would choose, participants were placed in one of three groups. In one group, the researchers stated one brand had recently taken a stance on gun control that insiders reported was authentic; in a second group, the researchers stated that one brand had recently taken a stance on gun control that insiders reported was a marketing ploy; in the third group, no information was provided about any political position. We then examined choice share as a function of whether a political stance was taken by a brand, its authenticity and the market share of that brand.

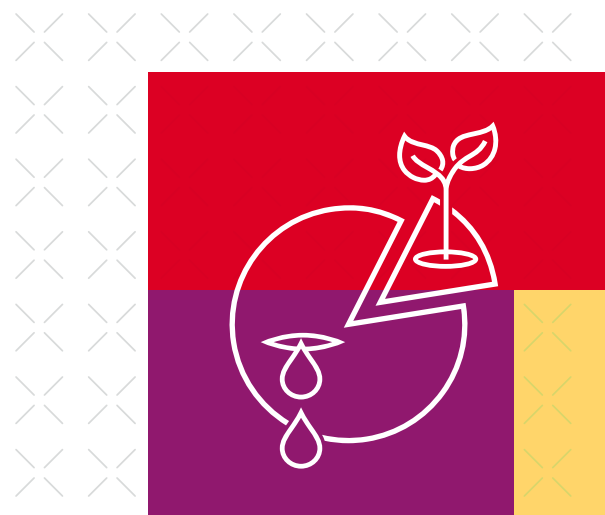
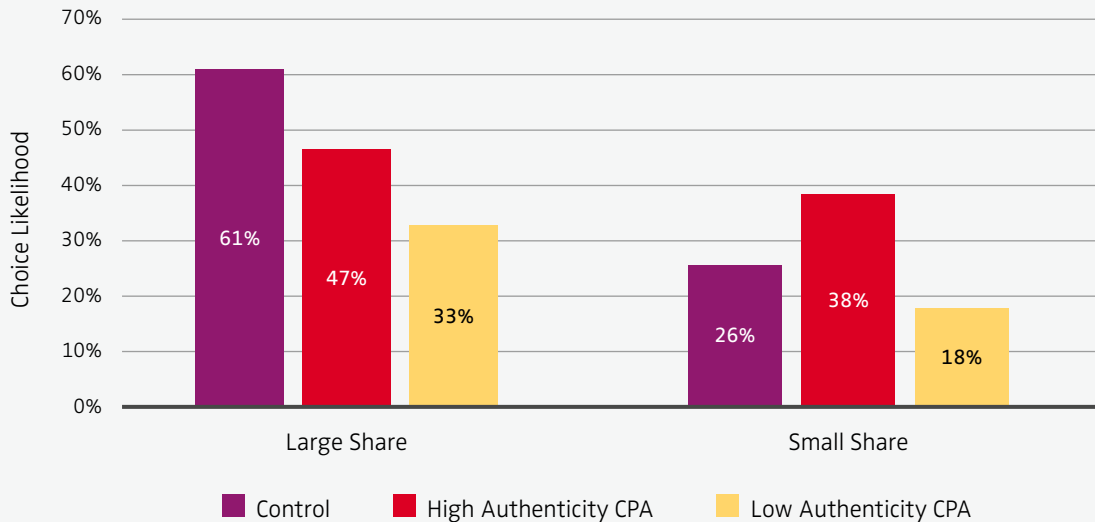


FIGURE 2 > The small share brand gained market share by engaging in political advocacy only when the action was authentic



As Figure 2 illustrates, the experiment showed that, when a brand with large initial market share engaged in corporate political advocacy (left panel), it lost market share (relative to a no action condition; purple bar) regardless of whether the action was authentic (red bar) or inauthentic (yellow bar). However, when a brand with small initial market share engaged in corporate political advocacy (right panel), it gained market share (relative to a no action condition; purple bar) when the action was authentic (red bar), but lost market share when the action was inauthentic (yellow bar).

No political activism without sound customer analysis and a plan for implementation ✕ Our findings are built around a context in which a brand's customers and the general population are heterogenous in their political beliefs. If a brand has a politically homogenous customer base, it may be beneficial even for large companies to take a position their customers will support. As large share brands are more likely to be harmed by engaging in divisive political issues, they need to study the belief systems of their target, before they act. Further, product quality or competitive prices are

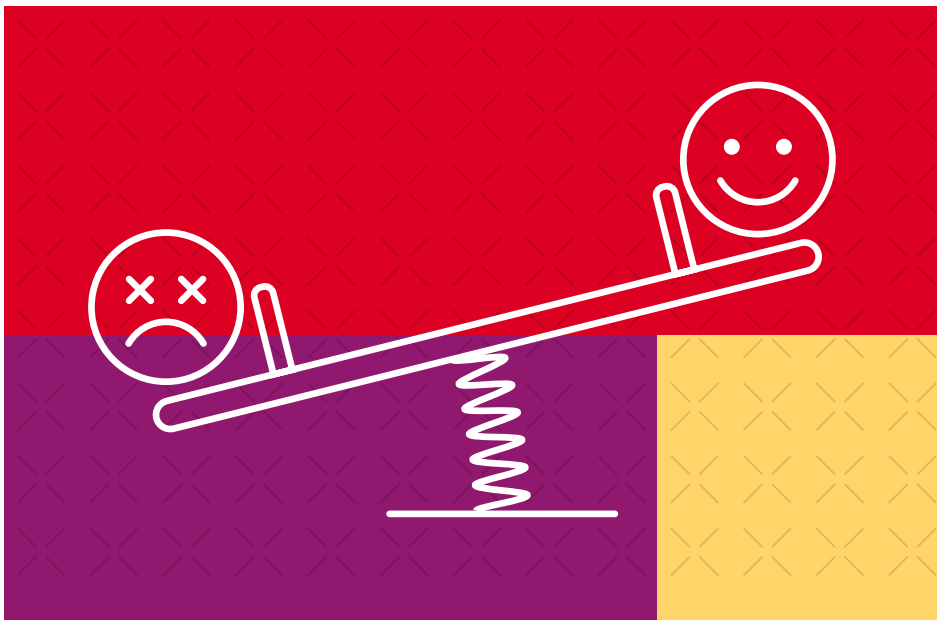
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no insurance against taking the wrong stances. Consumers were willing to trade-off price and quality for political values. Brands cannot dismiss the consequences of politics, even if they hold a traditional competitive advantage in price or quality.

For small brands, alignment with their consumer's beliefs is less critical as long as their engagement is authentic. This might be easier said than done. The experiments demonstrated that taking the same political stance as a competitor can lead to reduced perceptions of authenticity. Thus, brands must be cautious when jumping on the CPA bandwagon to avoid potentially being seen as an inauthentic copycat. ✕



ORIGINAL PUBLICATION

Hydock, Chris; Paharia, Neeru; & Blair, Sean (2020): "Should Your Brand Pick a Side? How Market Share Determines the Impact of Corporate Political Advocacy," *Journal of Marketing Research*, Vol. 57 (6), 1135–1151.

FURTHER READING

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