

CONSUMER RUMORS AND CORPORATE COMMUNICATIONS: RUMOR ETIOLOGY, BACKGROUND, AND POTENTIAL DEVASTATING CONSEQUENCES

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This paper is the first of a two-part series. Here, we provide a review of the research on rumors in general and consumer rumors in particular. We discuss the potential and actual harm resulting from consumer rumors. In the subsequent article, we consider some implications for corporate crisis management planning and communications. Suggestions for specific marketing communications tactics for rumor prevention and control are offered in conclusion.

INTRODUCTION

A special kind of crisis occasionally confronting companies is the consumer rumor. This type of rumor, like rumors in general, is an unsubstantiated allegation, but it is distinctive in that it circulates specifically about a company or its products. Negative consumer rumors are believed to have the potential to devastate a company's sales, market share, reputation, and relations with customers and suppliers.

Consumer rumors are believed to proliferate in times of economic or social stress (*U.S. News & World Report*, December 6, 1982). The late 1970s and the 1980s saw a rash of rumor problems develop for companies. The conspiracy rumor about Procter & Gamble having ties to the "Church of Satan" and the contamination rumors about ground earthworms in McDonald's or Wendy's hamburger meat are well-known examples of consumer rumors that circulated then. The time was considered ripe for consumer rumors, creating a public relations profession boom for rumor management (*Business Week*, December 24, 1990). Corporate relations

professionals and the business media advised executives to develop crisis management plans and prepare communications strategies to combat rumor problems among others.

Some companies took heed, but many others still have not (Koenig 1985). The results of an informal survey conducted in the late eighties showed that of the sixty-four major United States companies responding only one-fifth had "on the shelf" plans ready to battle a consumer rumor, and of those plans, few were specific and formal (Steele 1987).

The problem of consumer rumors has not gone away, and it probably never will. The economic and social conditions that promote consumer malaise, such as business failures, unemployment, and fear of unemployment (*U.S. News & World Report*, December 6, 1982) will ebb and flow indefinitely. The need remains for corporate executives in general, and marketing executives in particular, to understand the phenomenon of rumors so they can be prepared should their organization become a rumor target. More importantly, corporations should consider developing an action plan to help in preventing their organization from becoming a rumor target. Many businesses--large and small, national, regional or local--may be unaware of the danger of consumer rumors. This paper examines the consumer rumor

phenomenon to help business managers know more about consumer rumors and what can be done about them. Suggestions are made in part two of this series for using corporate communications to help prevent consumer rumors or minimize the damage such rumors might cause.

THE NATURE OF RUMOR

A Definition of Rumor

Writers define rumors in various ways. Webster definitions of rumor include: "common talk or opinion" and "widely disseminated belief having no discernible foundation or source; hearsay" (Gove 1986). Rumor has been described also as a "communication constructed around unauthenticated information" (Rosnow and Fine 1976, p. 11), and more technically, as a "proposition for belief of topical reference disseminated without official verification" (Rosnow 1988, p. 14). These definitions suggest that, in its simplest sense, rumor is an unsubstantiated statement about a supposed fact, a "fact" that is not really known to be either true or untrue. A rumor can be negative, positive, or neutral in meaning or effect.

Gossip is similar to rumor, and sometimes it is impossible to tell them apart. The context of the communication helps to differentiate the two. Gossip is small talk among a community's or group's members about internal news of interest, while rumor has a more impersonal bent (Rosnow 1988). Gossip is about "personal affairs and people's activities with or without a known basis in fact" (Rosnow and Fine 1976, p. 131) while rumor can be about any subject.

Rumor is not only the presumed "fact," but also the process through which the statement spreads (Rosnow and Fine 1976). It is a process that two authorities on rumors, Ralph Rosnow and Gary Fine, caution "...may be more easily started (and its product more easily disseminated) than stopped" (1976, p. 11).

The Fundamentals of Rumor

Rumor has been evaluated primarily from two different views--the sociological and the psychological. The sociological approach studies rumor at the level of collective actions, and purports that rumor meets needs for information in times of anxiety or uncertainty. Rumor helps its participants with discovering the conceivable importance of events happening in the world beyond their community or group. Sociologists interpret rumor as a way for members of society to come together and develop a common course of action for adaptation to social change.

The psychological approach studies rumor for how it addresses individual needs (Rosnow 1988), such as for attention and status from others. Rumor also helps individuals "...to make sense of their environment; give vent and expression to anxieties and hostilities; and provide a means for reconciling dissonant beliefs" (Rosnow and Fine 1976, p. 62). Rumor has been shown to perform all of these functions. It has both sociological and psychological purposes.

Rumor Factors

Rosnow offers a third--contextual--perspective that unifies the psychological and sociological views. In his contextualist approach, rumor is defined by the situation in which it occurs, based on four variables that have been found to influence the process of rumor generation and transmission (Rosnow 1988). The four factors of: (i) the importance or relevance of the rumor, (ii) uncertainty or ambiguity in the situation, (iii) personal anxiety, and (iv) the belief or trust in the rumor, encompass both sociological and psychological elements of rumor. These four factors currently are believed to be the main variables in the rumor equation. The following discussion covers how these variables have been found to influence rumors getting started and becoming widespread.

Importance and ambiguity. The factors of importance and ambiguity were recognized early on as contributors to rumor phenomena. In 1946, Gordon W. Allport and Leo Postman postulated a

basic "law" of rumor: "...the amount of rumor in circulation will vary with the importance of the subject to the individuals concerned times the ambiguity of the evidence pertaining to the topic at issue" (Allport and Postman 1946a, p. 502). This suggests that when the topic is important and news is lacking, rumors are bound to surface to fill in the information void and reduce anxieties on the individual and societal level.

There have been conflicting findings about whether the perceived importance of a rumor contributes to its being spread. It seems reasonable to assume that people will spread a rumor that is of interest or importance to them, but some researchers found that people were more inclined to spread rumors they did not consider to be important (Rosnow 1988). Individuals may be reserved about spreading a rumor when the anticipated consequences could be important. That is because they do not want to risk others' hostility or resentment for spreading an important rumor later found to be false. So Allport's and Postman's "law" of rumor does not completely explain the rumor equation. Other factors have since been discovered to influence rumor transmission.

Regarding the factor of ambiguity, rumors have been found to be more frequently transmitted the higher the level of ambiguity or uncertainty surrounding a situation (Rosnow 1991). Rosnow defines uncertainty as "a belief or intellectual state produced by doubt, such as when events are unstable, capricious, or problematical" (1988, p. 20).

Anxiety. The level of a person's anxiety (as measured by a standard test of chronic anxiety, the Taylor 1953 Manifest Anxiety Scale) and how much a person believes a rumor also factor into the rumor equation. Anxiety is believed to be highly conducive to rumor participation because it makes a person who is more uncomfortable than others in situations of uncertainty attempt to reduce the uncertainty. Also, people have been found to be much more likely to pass on a rumor about something they are already anxious about. This helps them to get feedback that either reassures them that the rumor is false or confirms the correctness of their anxiety (Goleman 1991).

Anxiety has been found to be a more important factor than credulity when anxiety is either very high or very low (Rosnow 1988). At very high levels of personal anxiety, people will transmit a rumor whether or not the rumor seems true. At low levels of anxiety, people do not carefully scrutinize a rumor's credibility and proceed to pass it on. Only at moderate levels of anxiety do people evaluate a rumor's truthfulness and judge whether to risk social censure by passing it on.

Credulity. The level of belief in a rumor is helpful in predicting rumor transmission when the rumor is believed to have potentially important consequences. The more a person believes in a rumor that they think is important, the more likely the person is to transmit it (Rosnow 1988). When a rumor's potential consequences are judged as unimportant, regardless of whether the person believes in the rumor, the more likely they are to pass it on. Rosnow said, "This idea may explain why titillating gossip that is not credible even by the widest stretch of imagination is often spread with wild abandon" (1988, p. 24). Only when people do not believe a rumor and the rumor may have serious consequences do they hesitate to pass it on.

How people hear of a rumor can influence their level of belief in the rumor. People are more ready to believe information that is overheard rather than told to them directly because they are less likely to question its credibility. Also, repeated exposure to a rumor can make it more readily acceptable since familiarity can lead to liking (Rosnow and Fine 1976).

Rumor Sources and Spread

The consensus among rumor researchers is that it is just about impossible to identify the source of a rumor (Rosnow and Fine 1976). Rumors do not have initial witnesses. "The word always comes from the FOAF (friend of a friend), disclosing a story that was not previously known," according to Jean-Noel Kapferer (1992, p. 80), a rumor expert and professor of communication studies. He believes that it is a myth that rumors start with a specific intent, and he calls rumors "...most often a spontaneous social

product, devoid of ulterior motives and underlying strategies," (Kapferer 1992, p. 53) except when a rumor's appearance is not accidental. Kapferer suggested that, "Rumors start less from facts than from their perception" (1992, p. 55). In actuality, the "grain of truth" to a rumor may merely be a wisp from someone's imagination.

People listen to and pass on rumors for a variety of purposes—to reduce anxiety, support a point of view, gain esteem, entertain, or manipulate a situation. As to who participates in rumor-telling, the spreading of rumor appears to be more a function of the situation than the individuals (Rosnow and Fine 1976). Allport and Postman expressed this succinctly by saying that, "A rumor public exists wherever there is a community of interest" (Allport and Postman 1946b, p. 180). Whoever finds the message relevant may participate in transmitting a rumor. For this reason, rumors are believed to spread most quickly in the areas where they started (Rosnow and Fine 1976) and where groups are homogeneous (Mishra 1990). For the rumor's public, the more news value the rumor has, the more quickly will be its diffusion (Rosnow and Fine 1976). Rumors may be communicated through any media, but are transmitted primarily through word of mouth.

No differences on the many demographic and biographical variables studied have been found between rumor participants and people who hear but do not pass on a rumor (Rosnow and Fine 1976). In her 1998 review of rumor research, Susan Pendleton pointed out the need for more research to learn about characteristics that distinguish individuals susceptible to rumor. However, one characteristic has been found that definitely distinguishes rumor participants from others: low tolerance for ambiguity. Persons who are highly ethnocentric or authoritarian have been found to be more intolerant of ambiguity, and are therefore believed to be more active in rumor transmission (Rosnow and Fine 1976). The factors of personal anxiety and situational ambiguity have implications for rumor management communications, which are discussed in the second paper of this series.

Studies of the transmission of rumors show that rumor-telling also may be an effort after higher social

status. Rumors are believed to be started within a group by a lower-status, socially-isolated individual hoping to gain esteem. The rumor teller will introduce a rumor to a group's influential opinion leaders in hopes that by providing more information in a situation where it is lacking the teller will earn greater regard. The opinion leaders then begin transmission of the information, which develops into a network pattern, to other members of the group (Koenig 1985). Acquaintances more than friends have been found to circulate rumors (Rosnow and Fine 1976), supporting the additional belief that people circulate rumors as a source of diversion or as a means for getting attention.

Researchers have not yet been able to specify the circumstances in which certain motives, such as fear or aggression, are prevalent in rumor participation (Rosnow and Fine 1976). Rosnow and Fine state that, "There is not always simple agreement on the primary function or purpose of rumor" (1976, p. 5). From all the different explanations, "...social exchange clearly emerges as a unifying theme" (Rosnow and Fine 1976, p. 6).

Rumor Distortions and Demise

Rumors have three components: a source, a target, and an allegation (Koenig 1985). Both the target and the allegation of a rumor are subject to distortion during transmission. A "sleeping effect" can occur, defined by Rosnow and Fine as "...the tendency over time to disassociate the source of the message from its content" (1976, p. 46). A person may reject a rumor from an unreliable source the first time they hear it, but begin to accept it after having forgotten who was the source. This implies that, as expressed by Rosnow and Fine (1976, p. 46), "Once opinions start to form, it becomes increasingly difficult to put an end to them."

A rumor's target may be distorted or changed. For example, in the case of a 1978 rumor about hamburgers being made using ground earthworms, the target switched over a short period of time from Wendy's to McDonald's.

More often it is the allegation that is distorted. The most common distortions of allegations are the result of "...leveling (elimination of some details), sharpening (selective attention given to particular information), and assimilation (twisting [in] of new material to build a better overall structure)" (Rosnow and Fine 1976, p. 36). Another distortion called the "boomerang effect" takes place when a rumor that was on the wane is rekindled through a variation of the allegation or target. (The term "boomerang effect" has also been used to describe the simple resurgence of a rumor resulting from its repetition during a denial.)

Fredrick Koenig, professor of social psychology, believes that in order for a rumor to survive "...it must be passed on, must attract interest, and must be sensational and attention-getting" (Koenig 1985, p. 117). Most rumors die and disappear after being disproved, or becoming irrelevant or uninteresting. Rumors also die out or become dormant when the contributory social tensions go away.

Some rumors become part of the popular belief structure. They evolve into what social scientists call "urban legends," which get passed along from earlier times. The term "urban" here refers to the sociopsychological conditions of urbanism, not to geography (Fine 1980). Several Coca-Cola rumors (referred to as "Cokelore") have become legends, such as the ones about the solvent nature of the product and how, with aspirin, the drink is allegedly an aphrodisiac. The appearances of other types of rumors seem to be deeply embedded in human nature, such as threats to masculinity as manifested in fears regarding castration, impotence, or infertility, for examples (Koenig 1985). Although the average rumor is believed to have a relatively short life span (Rosnow and Fine 1976), rumors incorporating myth have the potential for rebirth, like for instance those involving hauntings or devil-babies (Rosnow and Fine 1976).

General Rumor Types

There are differing schemes for classifying rumors that help with gaining a greater understanding of them. The best known classification of rumors was

developed by Robert H. Knapp during World War II with the Massachusetts Committee on Public Safety. Knapp, who was a student of Allport's, examined and classified over 1,000 rumors into three categories depending on their allegation: pipe dreams, or positive fantasies "expressing a person's hopes" (Rosnow and Fine 1976, p. 23); bogies (fear rumors); and wedge-drivers (aggression rumors) (Rosnow 1988).

Jean-Noel Kapferer, who has collected over 10,000 rumor examples, has classified rumors into five categories based on the predominant motivation that gives birth to the rumor. Three of Kapferer's categories are of rumors that may arise spontaneously (Kapferer 1992), and are described by him as follows:

1. Rumors that are the result of an event whose meaning is uncertain or ambiguous.
2. Rumors that start from a detail or a sign, that is, something very tenuous that had previously gone unnoticed.
3. "Exemplary stories" that crop up without any precipitating fact. For example, Kapferer said that most "snake-at-Kmart" or "spider-at-IKEA" rumors develop from scratch. In a suburb where they spring up, Kapferer said that you would not find the slightest event that could have been misinterpreted thus firing off the rumor. That these floating stories become "true" somewhere shows that some people make no distinction between fantasy and reality. Kapferer (1992) claimed that this trait, known as mythomania, is not rare.

The remaining two categories of Kapferer's classification scheme are of rumors that are provoked:

4. Manipulation and disinformation rumors--having objectives varying from deliberate misinformation to a search for sensationalism.
5. Experts' opinions--those put forth by "experts" like the Procter & Gamble rumor in which

someone draws attention to something and engenders its explanation. Leaks and confidential information also fall under this category of rumors (Kapferer 1992).

In any rumor instance, Kapferer believes a rumor is a product of both fact and imagination, and that:

Different types of rumors reflect the prevalence of either realism or imagination and subjectivity in the production of the rumor's content. Some rumors dwell almost exclusively in the imaginary phreatic layer, that is, in the collective data bank of symbols and unconscious mythical motives.... Rumors with a predominantly realistic slant cannot eliminate the influence of the imaginary. (Kapferer 1992, p. 60)

Consumer Rumor Types

Fredrick Koenig provides a simple way to categorize consumer rumors in particular. He separates these rumors, sometimes also called "mercantile rumors," into two classes: conspiracy rumors and contamination rumors. Conspiracy rumors are "...those in which the allegation connects a political, religious, or other ideological movement with a visible target: a successful commercial enterprise" (Koenig 1985, p. 39). About conspiracy rumors, Koenig said, "The carriers of the rumor are members of a population who feel that the movement is undesirable and threatening.... The corporate target serves to emphasize the extent and magnitude of the threat" (1985, p. 39). The rumor that Procter & Gamble allegedly contributed earnings to the Church of Satan is the most publicized example of a conspiracy consumer rumor.

Contamination rumors focus on the target rather than the allegation. The alleged contamination may be from a foreign substance or object that adversely affects the product's value. Koenig believes that contamination rumors can be especially devastating because they are relevant to a much wider population. Also, the message does not necessarily have to be believed to have a negative effect (Koenig 1985). Koenig pointed out that, "General themes of contamination rumors are the untrustworthiness of

big operations and a sense of deterioration in our society" (Koenig 1985, p. 90). The Wendy's and McDonald's ground-earthworms-in-the-hamburger rumors are examples of contamination consumer rumors.

Consumer Rumor Content

Terry Chan of the alt.folklore.urban newsgroup on the Internet has maintained a list of consumer rumors and urban legends collected by the group since 1991. The newsgroup is "...devoted to the discussion and debunking of urban legends and other related issues" (Chan and van der Linden 1995). The following list of rumors is a sampling of the more than 880 stories the group has collected and researched. Rumors marked 'F' are a "100% falsehood." Those marked 'T' are "100% scientific truth." The rumor marked 'Fb' is believed false, but not to the point of being conclusively proven. The rumor marked 'U' is unanswered and may be unanswerable. From toys to food, clothing to entertainment, the twenty-five recent consumer rumors listed in Table 1 give an inkling of the breadth of consumer rumor topics. (A few of the rumor descriptions have minor modifications to improve clarity.)

John F. Sherry, Jr., at the University of Florida, conducted an analysis in 1984 of consumer oral tradition and found patterns of folk ideas and values of culture in American consumer rumors. He created a classification of consumer rumors based on rumor content. Consistent with the rumors found by the folklore newsgroup, the many stories Sherry found served to "...either threaten or enhance the reputation of products, services, and channel members, or to illustrate novel or unintended uses of same" (Sherry, Jr. 1984, p. 2). Some of the stories even had achieved legend status.

Each of the consumer anecdotes Sherry found appeared to have a "...strong basic story appeal, a foundation in actual belief, and [a] meaningful message or moral" (Sherry, Jr. 1984, p. 6). The surface structure, that is the actual wording of the stories, was that of a "...cautionary tale or exemplum, while the deep structure was more a fundamental exegesis of contemporary social life" (Sherry, Jr.

1984, p. 6). Sherry's use of the term "deep structure" in this way referred to the underlying motivation or purpose for the anecdote.

TABLE 1
Recent Consumer Rumors (1991-1995)

<i>Status</i>	
F.	Eelskin wallets demagnetize bank cards. (No, but a magnetic clasp might.)
F.	Bubbles in bubble wrap contain a cheap, but toxic gas.
T.	Fluorescent lamps will light up when held near a high-voltage line.
F.	Printer or copier toner is carcinogenic. (No, but be careful about breathing it.)
T.	Prodigy grabs large sectors of the disk, containing data from deleted files.
F.	Prodigy slyly reads your disk and nefariously uploads your top secrets to IBM.
F.	Hostess snacks (Twinkies, Cupcakes, etc.) aren't baked! They set, like Jell-O.
F.	"Ear lobe repair" is booming in NYC because thieves rip earrings off women.
F.	Movie "3 Men & a Baby" has a scene with a real ghost in it.
F.	Cabbage Patch dolls are possessed by the devil.
F.	Kid sends broken Cabbage Patch doll back. Death certificate sent back [to kid].
Fb.	Child's foot or leg is amputated after pumping Reebok shoes too tight.
F.	Woman frequents tanning salons; develops funny smell; innards cooked!
F.	First 7 numbers on bar code of "Thriller" album is Michael Jackson's phone.
F.	Sesame Street's Bert and Ernie are "gay."
F.	Banana peels and peanut shells contain hallucinogenic substances.
U.	Eating lots of chicken fast food causes males to grow breasts (from hormones).
F.	Eating carrots may improve night vision, because of large amounts of vitamin A.
F.	Red M & Ms are carcinogenic. (No, they use red dye #5, not dangerous #2)
F.	Snapple either supports Operations Rescue/KKK and/or the ship on the label is a slave ship. [The scene was the Boston Tea Party.]
F.	Shampoos and foreign beauty aids are made from aborted babies.
F.	"Instant" ramen noodles are coated with wax and can cause intestinal blockage.
T.	"Little Mermaid" video cover features good drawing of penis. Prank? Revenge?
F.	Unification Church (i.e., Moonies) owns Entenmann's bakery or Waldenbooks.
T.	"The Club" is lame because a thief could cut through the wheel in no time.

Key: F = "100% False" T = "100% True" Fb = "Believed False, But Not Proven" U = "Unanswered, May Be Unanswerable"

Source: Terry Chan and Peter van der Linden, "Frequently Asked Questions (FAQ) List," (reproduced with minor modifications) alt.folklore.urban Usenet Group, 1995.

Sherry believed that both the legends and the rumors he found "enfranchise speculation," helping consumers to "vent anxiety, bisociate [sic] to discover new insights, or informally indict or applaud business concerns" (Sherry, Jr. 1984, p. 6). Sherry's view of the purpose of consumer rumors is that "delight, didacticism and direction are some of the more prominent ends of the stories" (Sherry, Jr. 1984, p. 6). He suggested that interpretation of the ideologies underlying consumption may permit marketers to react more appropriately to consumer concerns (Sherry, Jr. 1984).

Sherry claimed that consumer oral tradition is at its base an adaptive strategy to help in negotiating cultural change. He found that the consumer stories he examined mirrored the seven components of "the Great Change" in American community life over the past 200 years (see Table 2), as detailed by Gary Fine in 1980. The stories supposedly reflected personal and societal ambivalence about this change. Consumer stories in the future could potentially reflect ambivalence about societal change to come.

TABLE 2
Seven Components of the
Great Change of American Society

1. Division of Labor
2. Differentiation of Interests and Associations
3. Increasing Systemic Relations to the Larger Society
4. Bureaucratization and Impersonalization
5. Transfer of Functions to Profit Enterprises and Government
6. Urbanization and Suburbanization
7. Changing Values

Source: Gary Fine, "The Kentucky Fried Rat: Legends and Modern Society," *Journal of the Folklore Institute*, 1980, pp. 223-227.

One of the implications of America's "Great Change" is that along with the division of labor comes a lack of knowledge of other occupational specialties. Individuals who no longer know specifically how consumer items are grown or made may view the production and workings of consumer items as the "equivalent of magic" (Fine 1980, p. 223). This lack of understanding is believed to foster rumor making to help individuals explain the unknowns. Another implication of the "Great Change" is that communication channels are changing because

"community" is more increasingly based on shared interests rather than on proximity. The import of these implications to rumor communications strategy will be detailed in the second paper in this series which discusses rumor management.

Themes in Consumer Rumors

There are six major themes in the stories Sherry found. These themes exemplify to corporations how consumers may be communicating about their products or services. The themes also reveal which types of industries may be most vulnerable to consumer rumor. The themes are summarized in the following section using Sherry's titles:

1. *Credible inedibles: pollution and the consequences of contamination.* This category had the greatest number of anecdotes in circulation and concerns ingestion of contaminated foodstuff by unwitting victims. According to Sherry, this category is attributable to "misgivings arising from the change in traditional dietary patterns..." (Sherry, Jr. 1984, p. 2). The reason he gives for these stories is that consumers pay a price of guilt for modern convenience, which they temper by suspicion. Also, Sherry said that, "...Americans tend to debate the merits of new foods in oral tradition" (Sherry, Jr. 1984, p. 3), and are fascinated with the back regions of food preparers. The major food groups found in these consumer stories are:

- Food that is processed and mass-prepared anonymously by corporate chains - Sherry mentioned that the concept of "eater's alienation" is used to explain our attitudes toward foods from whose production and preparation we have become separated. Foods most emblematic of this change, such as "fast foods," hamburgers, hot dogs, and chicken are logical targets of oral criticism.
- Beverages with a particularly novel or hedonistic dimension
- Dessert or candy products which assume dangerous potential in many stories

2. *Mercantile misanthropy: ambivalence toward big business.* A large number of the rumors and legends Sherry found seemed to reveal an underlying ambivalence consumers feel about corporate activity. Sherry mentions work by Burleigh Gardner from 1982 that noted consumer dislike for "Big Business" increasing during times of recession and unemployment. Gardner attributed several perceptions in particular to "hostile" consumers: that "...corporations lack concern for consumers; that corporations are dangerous and require control; and that corporations are not apt to make social contributions" (Sherry, Jr. 1984, p. 3). Elements of xenophobia, racism, and protectionism are present in some of these stories. The types of stories in this category include:

- Shopping mall kidnappings or castrations - Sherry suggested that below the surface features of these stories may be the deeper concern that discount chains carry inferior products, and that consumers purchase from these chains at their peril.
- Foreign objects in the wares of chain discount stores
- Suppression of miracle patents
- Substitution of lesser quality foods for more expensive ones
- Shortfalls in availability alleging that the scarcity is artificial - Some of these stories suggest that corporations stockpile precious substances with the intent of escalating prices.

3. *Technology as mixed blessing: victimization and de-skilling.* The "consumer as an endangered species" (Sherry, Jr. 1984, p. 4) was found to be a recurrent motif in stories treating technology consumption. Sherry believes that these stories are told to help salve our consciences because of the qualms we have about our use of technology. For example, planned obsolescence of products clashes with our ecological concerns. There are also stories to counter "perceptions of corporate impersonality or exploitation" that celebrate the

activities of others wreaking their revenge on the corporation (Sherry, Jr. 1984, p. 4). Examples of stories in this category include:

- Clothes causing sterility
- Microwave ovens killing pets

4. *Apostasy and millenarian marketing: sacrilegious dimensions of consumption.*

These stories had themes of corporate mistrust, forced conformity, conspiracy, and the mixed blessing of technology. Sherry said that, "When consumption is perceived as a threat to cherished values, or when the secular humanism embodied in the 'organization man' supplants more traditionally religious ideologies, exemplars of this unwanted change become scapegoats" (Sherry, Jr. 1984, p. 5). Examples of stories in this category include:

- The success of Procter & Gamble being attributed to a satanic alliance
- Revolutionary innovations, such as the computer, being given diabolical imputations

5. *Folk pharmacology: potions, compounds and elixirs.*

These stories were about medicinal applications, diagnostic principles, street druglore, and trickster tales. Products can be synergists, antagonists, aphrodisiacs, or contraceptives. Sherry found that, "the potency of substances used for altering physical or psychological states is tempered with respect, and often with fear, in the anecdotes" (Sherry, Jr. 1984, p. 5). Examples of stories in this category are:

- The use of chicken soup as a medicinal for head colds
- The imputed aphrodisiacal quality of green-colored M & M candy

6. *Creative adaptations: alternatives to specified use.*

These stories covered the use of products, services, or channel members in a creative fashion. They may have been fueled occasionally by the marketer. In these stories,

Sherry said that, "...consumers advise each other of the existence of 'hidden' attributes, and of ways of improving upon mere surface benefit delivery" (Sherry, Jr. 1984, p. 5) to aid in domestic chores, repair work, or medical relief. Examples of stories in this category include:

- The use of Coca-Cola as a rust remover
- The use of WD-40 to relieve arthritis

Sherry's informants reported that Coke anecdotes did not deter them from drinking the product in great quantity or with great frequency. Sherry supposed that because Coca-Cola is a folk generic, and that it is "...a dense symbol of American life, [that] may account in part both for the popularity of the anecdotes and the minor impact of the lore on personal drinking preferences" (Sherry, Jr. 1984, p. 6).

Industries Most Susceptible to Consumer Rumors

The variety of the consumer rumors that Sherry found shows that many different businesses and products can become targets of consumer rumor. However, the general belief of rumor researchers is that "big" businesses are most often rumor targets. Gary Fine commented that, "The frequency of attachment of an urban legend to the largest company or corporation is so common as to be considered a law of urban folklore" (Fine 1980, p. 228). Fredrick Koenig suggested that, "It is not just bigness that makes certain corporations vulnerable as targets, but also the sense of a depersonalized presence looming in the community" (Koenig 1985, p. 90).

The sense that a company is "detached" from consumers appears to be an important determinant in the focus of rumor on a company. When little is known about a company and its products or services, consumers may be filling in the information void with rumor. Also, as in war and politics, "...competitiveness and secrecy feed a wellspring of rumor" (Rosnow and Fine 1976, p. 29). Having the potential of being perceived as impersonal or having processes that are hidden should alert a company that it could be especially vulnerable to consumer rumor.

Sherry's findings showed that companies that are innovative or progressive can also become rumor targets.

Ironically, companies that do not consider themselves vulnerable to rumor may be making themselves more vulnerable. The fundamental paradox of crisis management, noted by crisis management researcher, Ian Mitroff, is applicable to the consumer rumor phenomenon in particular. Mitroff explained this paradox, in an article written with Paul Shrivastava and Firdaus Udwadia on effective crisis management, as follows, "The less vulnerable a company thinks it is, the fewer crises it prepares for; as a result, the more vulnerable it becomes. Conversely, the more vulnerable an organization thinks it is, the more crises it prepares for; as a result, the less vulnerable it is likely to be" (Mitroff, Shrivastava and Udwadia 1987, p. 285).

The bottom line is that any business can be vulnerable to consumer rumor and should be alert about its potential for becoming a consumer rumor target.

Effects of Consumer Rumors on Corporations

Sherry found through his consumer surveys that informants routinely acknowledged changing their consumption patterns in response to legends or rumors in current circulation. Some corporations would have been harmed by the stories while others would have been helped. It could be that negative rumors have a greater effect than positive rumors on purchasing behavior. Negative information has been found to exert a stronger influence on attitudes and purchase intentions than the same or even greater amounts of positive information. This stronger influence of negative information was found to be more pronounced for services than for products (Reidenbach, Festervand and MacWilliam 1987).

Companies that have experienced negative consumer rumors have faced problems ranging from inconvenience to bankruptcy or closure. Very little seems to be published about the effects of positive consumer rumors, such as those that could create a

rush to buy corporations' products or services. The following is a list compiled by Ralph Rosnow of major effects that can be caused by negative consumer rumors (1991, p. 493). He suggested that, in large companies, consumer rumors can lead to:

1. Considerable time drains on key personnel who must channel their energies into waging anti-rumor campaigns
2. The loss of profits due to stagnant or declining sales
3. Boycotts of products
4. Losses in productivity and declines in employee morale and interdepartmental cooperation
5. Harassment of personnel
6. Destruction of private or company property

Loss of sales and profits caused by consumer rumors can also potentially lead to workforce reductions, stockholder and creditor losses, or diminished value of employee ownership and benefit plans.

In 1978, McDonald's Corporation experienced a rumor episode about its hamburger meat allegedly being made with ground earthworms. About this episode, Doug Timberlake, McDonald's head of Corporate Communications, said, "The [worm] rumor was hitting at the bottom line. It was seriously affecting sales in certain areas, and these kinds of losses could not be sustained for a very long period. The affected franchises were hurting; their operations were getting badly mauled" (Koenig 1985, p. 16). Reports on this case stated that "...McDonald's sales were down by as much as 30% in the areas where the rumor circulated" (Tybout, Calder and Sternthal 1981, p. 73) and that business was hurting "...at more than 20% of McDonald's outlets, mostly in the Southeast..." (Montgomery 1979, p. 22).

Other rumor episodes have also dramatically affected product sales. Sales for Barton Brands' import beer, Corona Extra, nose-dived in 1987 by as much as 80% in some markets when a rumor circulated that the beer was supposedly contaminated with urine (Hume 1987). In the following months, even after an advertising campaign to refute the rumor, sales were

down by as much as 26% to 34% in Corona's established markets (Winters 1988).

Besides costing companies sales, rumors can be costly to stamp out. The Life Savers unit of Squibb Corporation spent "...between \$50,000 to \$100,000, mostly on newspaper ads to counter tales that Bubble Yum, its bubble-gum product, contained spider eggs or caused cancer" (Montgomery 1979, pp. A1, 22). More about how Life Savers fought that rumor is mentioned in the second part of this series.

The research about consumer rumors mostly describes rumors that have happened to large corporations like McDonald's which are in a better position to withstand rumor episodes. Most of these rumor episodes left the companies intact, albeit with sales losses and unanticipated expenses. When rumors have been associated with the bankruptcy or closure of a company, the rumors have been about the company's bankruptcy potential. For example, a May 1984 rumor alleging impending bankruptcy was very much behind the closure of the Continental Illinois Bank of Chicago, but the bank really was close to bankruptcy anyway (Koenig 1985). Tales of the damage done by consumer rumors to smaller, less prominent companies are not as widely known. Nevertheless, the risk of insolvency caused by consumer rumor is greatest for lesser-funded, smaller companies.

Summary

Consumer rumors do not necessarily have anything to do with a company's product or its management. Rather, they are rooted in social and psychological processes that are part of the fabric of society. It follows that no firm is immune to consumer rumors--no matter how excellent the product or service and regardless of being well managed. As shown above, the potential for damage to a firm's image and loss of revenue is substantial. Despite the unpredictable nature and occurrence of consumer rumors, there are a number of steps firms can take to avoid harmful rumors in the first place and to combat them should they occur. These are discussed in the second article of this two-part series.

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