

# The Cloud and Its Silver Lining: Negative and Positive Spillovers from Product Recalls

**Verdiana Giannetti**

Leeds University Business School

**Raji Srinivasan**

Red McCombs School of Business, University of Texas at Austin

**Gaia Rubera**

Bocconi University

Cite as:

Giannetti Verdiana, Srinivasan Raji, Rubera Gaia (2019), The Cloud and Its Silver Lining: Negative and Positive Spillovers from Product Recalls . *Proceedings of the European Marketing Academy*, 48th, (3910)

Paper presented at the 48th Annual EMAC Conference, Hamburg, May 24-27, 2019.



# The Cloud and Its Silver Lining: Negative and Positive Spillovers from Product Recalls

## Abstract

Product recalls hurt the sales of recalled products and, sometimes, of non-recalled products because of negative spillover effects. Yet, there are few insights on how recalls may help the sales of non-recalled products in the category. We hypothesize that the sales of a non-recalled product will be hurt by brand-level (i.e., same brand) recalls, while they will benefit from country-level (i.e., same country) recalls. Further, we investigate how advertising and prices of non-recalled products interact with brand- and country-level recalls to affect their sales. We test the hypotheses using sales data on 124 cars in the U.S. market in 2006-2015. Results indicate that, while brand-level recalls hurt the sales of non-recalled products, country-level recalls benefit them. Further, higher advertising and prices of non-recalled products attenuate the negative effect of brand-level recalls, while lower prices of non-recalled products strengthen the positive effect of country-level recalls.

**Keywords:** *Product Recalls; Spillover Effects; Country-of-Origin*

**Track:** Marketing Strategy & Theory