The Moral Discount: Can Being Socially Responsible Hurt Your Brand?

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Corporate social responsibility (CSR) is increasingly used by firms as a branding strategy. However, a discrepancy between consumers’ commendation of firms that engage in CSR and their satisfaction with the actual products these firms produce has been observed. We term this “the moral discount;” a bias by which consumers perceive that socially-responsible products are less effective than regular products. Two studies show the bias depends on brand strength and CSR attribute centrality. While strong brands benefit from extrinsic CSR attributes (e.g., charity donations) and intrinsic CSR attributes (e.g., earth-friendly ingredients), the use of extrinsic attributes can decrease consumers’ ratings of unfamiliar/weak brands.

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EXTENDED ABSTRACT

Corporate social responsibility (CSR) can be used as an effective marketing technique and, to media and consumer praise, companies spent $4.4 billion on CSR in 2007 (Lawrence and Mukai 2008). CSR, defined as a “company’s status and activities with respect to its perceived societal obligations” (Brown and Dacin 1997, 68), can increase customer satisfaction with the company (Marin and Ruiz 2007), enhance brand evaluations (Brown and Dacin 1997), and increase consumer willingness-to-pay (Creyer and Ross 1997). However, recent research suggests consumers perceive more ethical brands to be less effective (Luchs et al. 2008). Here, we investigate this “moral discount” and find that the impact of CSR on product evaluations depends on two factors: brand strength and the nature of the “ethical element” (type of CSR attribute).

When a brand engages in a typical CSR campaign (e.g. donating money), the CSR attribute becomes an important piece of accessible information for consumers to use when evaluating the brand. According to the accessibility-diagnosticity model, accessible information will be used as input into judgment if the information is perceived to be more diagnostic than other accessible inputs (Feldman and Lynch 1988). When accessible and diagnostic, consumers use memory-based and context-based information (Menon, Raghurir, and Schwarz 1995). Context-based information, information given during the time of the decision, is used when memory-based information is not accessible. When memory-based information is accessible and diagnostic, context-based information is not used. With an unfamiliar brand, consumers can not rely on previous associations of the brand and therefore, the context-based information of the CSR attribute becomes diagnostic. We predict that when context-based information is related to CSR attributes, consumers will fall prey to Luchs et al. (2008) ‘ethical equals less effective’ lay theory. However, when a familiar brand engages in CSR, memory-based cues become diagnostic when evaluating the brand. Therefore, consumers will use this context-based information in conjunction with the memory-based cues of the brand (Menon et al. 1995). Thus, the CSR attribute will be inferred to be consistent with the memory-based evaluation of the brand (Dick, Chakravarti, and Beihal 1990). We predict that a brand with a CSR attribute will increase (decrease) perceived (1) brand effectiveness and (2) willingness to pay for a familiar (unfamiliar) brand.

In study 1, we test whether the type of brand, familiar versus unfamiliar, is helped or hindered by a typical CSR attribute, donating money to non-profit organization. Participants were exposed to one of four conditions in a 2 (familiar vs. unfamiliar brand) X 2 (CSR attribute vs. non-CSR attribute) between-subjects design. Participants were shown a picture of a candy bar and told that this was a new product on the market and asked questions related to their anticipated taste ratings and willingness to pay for the product. We conducted two, 2 X 2 ANOVAs with the anticipated taste rating and willingness to pay as the dependent variables. For both variables, there is a significant CSR x Brand interaction, (taste= F (1, 171)=5.538, p<.05) (willingness to pay= F (1, 171)=3.752, p=.05). These results support our prediction above.

Study 1 addresses a typical CSR attribute, charity donations, that is extrinsically tied to the brand. CSR attributes can also be intrinsically related to the product (e.g., earth-friendly ingredients). Consumers use both extrinsic and intrinsic cues (e.g., attributes) simultaneously when making evaluations of a brand (Jacoby, Olson, and Haddock 1973). For a familiar brand, an intrinsic CSR attribute presents contradictory evidence to the memory-based perceptions of the brand’s physical make-up. While the CSR intrinsic attribute is not necessarily negative, it possesses the same characteristics as a negative cue and alters the perceptions of the brand’s quality (Ahuwalia 2002). Therefore, one might predict that with a familiar brand, consumers will perceive a CSR intrinsic attribute more negatively than a CSR extrinsic attribute. For an unfamiliar brand, the consumer does not have memory-based information to judge the new CSR attributes and therefore an intrinsic CSR attribute does not provide inconsistent information to the consumer. We propose that an intrinsic CSR attribute therefore helps an unfamiliar brand because the attribute becomes part of the contextual cues used to define the product. However, extrinsic CSR attributes do not provide the same depth of contextual information about the unfamiliar brand and therefore are not strong indicators of the product.

In study 2, we test whether the type of CSR attribute, acting as an extrinsic vs. intrinsic cue, helps or hurts a familiar vs. unfamiliar brand. We conducted two (familiar vs. unfamiliar) X 2 (extrinsic CSR attribute vs. intrinsic CSR attribute) between-subjects design. Participants were shown a picture of detergent and rated the effectiveness of the detergent and their willingness to pay. We conducted a 2 X 2 ANOVA with detergent effectiveness as the dependent variable. There is a significant CSR X Brand interaction (F (1,233)=4.07, p<.05), which shows that with an unfamiliar brand, effectiveness ratings are higher for intrinsic versus extrinsic CSR attributes, however with a familiar brand, effectiveness ratings are equal for extrinsic versus intrinsic CSR attributes. Unlike detergent effectiveness, we do not see a significant interaction for consumers’ willingness to pay (F=.33). These results show that consumers perceive an unfamiliar brand with an intrinsic CSR attribute as more effective than an unfamiliar brand with an extrinsic attribute. However, for familiar brands, the data show no difference in the efficacy of extrinsic versus intrinsic CSR attributes.

This research demonstrates that, in promoting socially responsible products, managers should carefully consider both their brand’s strength and the type of CSR attribute. Familiar brands may be better able to benefit from extrinsic and intrinsic attributes. However, brands new to the marketplace may want to avoid extrinsic CSR attributes, thus avoiding the moral discount bias.

REFERENCES
Dick, Alan, Dipankar Chakravarti, and Gabriel Beihal (1990), “Memory-based Inferences During Choice,” Journal of Consumer Research, 17 (June), 82-93.


