Can Corporate Social Responsibility Hurt New Brands?

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We observe a bias by which consumers perceive socially-responsible products as less effective than regular products. Four studies show the bias hurts new brands more than established brands. The centrality of the CSR attribute (i.e., extrinsic attributes like charity donations versus intrinsic attributes like earth-friendly ingredients) strongly influences this effect.

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EXTENDED ABSTRACTS

“An Induction-Deduction Model of Consumer Inference: Implications for Selecting Optimal CSR Strategy”

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People often act as “intuitive psychologists” in understanding the behaviors of others and use the observed behaviors to make inferences about general or abstract characteristics of the observed other (Heider 1958); these inferences are called inductions (Beike and Sherman 1994). Extant research has provided ample evidence that consumers frequently make inductive inferences based on firms’ behaviors and form generalizations about firms (cf. Kardes et al. 2004). Furthermore, recent research indicates that these inferences are often formed spontaneously, requiring limited cognitive resources and without attention or awareness (cf. Uleman et al. 2008). For example, when consumers are exposed to the information that a firm donated millions of dollars to protect wildlife, they may spontaneously induce that the firm is environmentally responsible.

In addition to inductive inferences, consumers also engage in the opposite type of inference—deducing and predicting specific firm behaviors based on the generalizations they hold about the firm (Beike and Sherman 1994). Unlike inductive inferences that are often generated spontaneously, deductions require more deliberative reasoning and are less likely to be formed spontaneously (Rotello and Heit 2009). For instance, deliberative reasoning is likely required to deduce from the generalization that the firm is environmentally responsible, that the food products manufactured by the firm are of superior quality.

Research on knowledge representation suggests that concepts are organized as conceptual webs, in which concepts are represented by nodes and relations among the concepts are represented by the link structure of the network (e.g., Goldstone 1996). Building on this literature, we define distance between two concepts as a function of the number of nodes that need be traversed to link the two concepts and the strength of the relations between these nodes (see Rada et al. 1989 for a similar definition). For example, the conceptual distance between MONKEY and BANANA is shorter than that between DEER and BANANA, because the concept of MONKEY can be directly linked to BANANA via a “eat” relation, whereas it requires intermediate nodes to link DEER to BANANA. Moreover, given that people assess how plausible a focal scenario is, using the principle of concept coherence—how well the scenario corresponds with their conceptual knowledge (e.g., Connell and Keane 2004), conceptual events that are closely related tend to be considered more plausible than ones that are far apart. For example, people are likely to judge events associated with MONKEY affecting BANANA as more plausible than events associated with DEER affecting BANANA. Thus, we posit that although different CSR actions can lead to similar inductive generalizations (e.g., the firm cares about wildlife; it’s a good firm), actions that are perceived to be conceptually closer (e.g., protecting a species of monkey rather than deer) to the firm’s product (e.g., banana) have a stronger impact on the deductive inferences about the product (e.g., taste, quality).

To test this hypothesis, we designed several pairs of CSR actions; each pair was pretrained to ensure that (1) the CSR actions differ significantly in conceptual distance to a target product and (2) each CSR action leads to similar inductive generalizations about how likable and socially/environmentally responsible the firm is. Participants were shown the scenarios, each describing two firms pursuing either conceptually close or distant CSR actions, and were asked to decide which firm’s product is superior on certain attributes and which they would purchase. As expected, significantly more participants favored the firm whose action is conceptually closer to the target product; for example, over 73% participants believed that the manufacturer aiding victims of tsunamis (vs. earthquakes) produces safer boats, the firm using wind-turbine generated (vs. solar) energy to reduce CO2 emission manufactures aerodynamically superior planes, and the firm protecting the natural habitat of a species of monkey (vs. deer) produces more tasty bananas.

Cognitions vary in their temporal stability; whereas factual details are forgotten most rapidly, generalizations are the most stable cognitions over time (Chattopadhyay and Alba 1988). The differences in accessibility between the specific details of CSR actions and inductive generalizations formed based on the actions are likely to impact consumer inference (Kardes et al. 2004). In memory-based tasks, consumers tend to rely on the more memorable, higher-order cognitions—generalizations (e.g., the firm cares about the environment; it’s a good firm)—to make deductive inferences about the product. However, in stimulus-based tasks, consumer inference is influenced by not only the generalizations but also the specific details (conceptual distance). Thus, we predict that consumers can make significantly different deductive inferences about the product in stimulus- vs. memory-based tasks.

This hypothesis was tested in Experiment 2 using a 2 (conceptual distance: close vs. distant) x 2 (task type: stimulus- vs. memory-based) between-subject design. Participants were randomly assigned to evaluate one of two magazine ads about a consumer electronics firm’s CSR initiative. The ads were identical in all aspects except the descriptions about what the firm’s environmental action entailed—conceptually distant vs. close. Participants in the stimulus-based condition, were asked, with the ad present, to rate how much they liked the firm, the extent to which the firm is environmentally responsible, the extent to which the firm’s products are energy efficient, and how likely they would purchase this firm’s products. Those in the memory-based condition completed the same set of measures after a 24-hour delay. As expected, the generalizations, attitude, and perceived environmental friendliness, did not differ across the conditions. Nonetheless, a significant interaction effect was found for the inferences about the firm’s product; without delay, those in the conceptually-close condition reported significantly higher energy efficiency and purchase likelihood ratings than those in the distant condition; with a delay, however, no difference was found.

Overall, the results of the experiments provided support for the theoretical model we proposed. We found that the conceptual distance between a firm’s CSR action and its product can significantly impact consumers’ inferences about the product, and that this inference can differ significantly in stimulus- vs. memory-based tasks. We are currently running two more experiments examining the moderating role of cognitive resources; these studies will provide additional support for our model by showing that those with high need-for-
cognition (experiment 3) or more cognitive resources (experiment 4) are significantly more influenced by conceptual distance.

“Self and Social Signaling Explanations for Consumption of CSR-Products”

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Consumers frequently encounter, and buy products that have a CSR association (e.g., cell phones giving a portion of proceeds to cancer research). It is well documented that products with a CSR-association are extremely popular among consumers and consumers may even be willing to pay a premium for these products. However, what are some key motivations that underlie a consumer’s decision to purchase these products? In our research, we find that consumers like CSR-associated products for two distinct reasons.

First, we find that consumers like the fact that these products send out highly visible, social signals regarding their benevolence. We find that a consumer’s likelihood of adopting a CSR-associated product varies positively with the product’s social signaling potential, even when that signaling potential is very subtly cued. Specifically, in three studies we manipulated the social signaling potential of the target product by (a) varying the suggested location of the product, as either for use in a private (i.e., bedroom) or a public (i.e., living room) living space, (b) describing the target product as being especially helpful either for social (i.e., entertaining friends) or for personal (i.e., indulging oneself) occasions, or (c) varying, literally, the visibility of the CSR-association of the target product (i.e., whether the CSR-association’s trademark LIVESTRONG™ yellow color was easily, partly, or not visible). Across these three studies, our results indicate that when the products did not have a CSR association they were evaluated equally regardless of their social signaling potentials. However, when the products had a CSR-association, the products were evaluated more favorably in the high social signaling potential conditions than in the low social signaling potential conditions. In fact, low social signaling potential actually lead to lower evaluations than the ones in the control (no CSR association) conditions, thus indicating that consumers tended to devalue a CSR-associated product when it had a poor social signaling potential.

Consistent with this reasoning, in a fourth study we find that owners of a CSR-associated product tend to use it in ways that maximize its social signaling potential. The study showed that consumers prefer to use a CSR-associated product in a highly socially visible location (e.g., living room) rather than in a less socially visible one (e.g., bedroom), a preference that did not occur for the equivalent, control products that did not have a CSR-association. Ironically, however, these attempts to send out social signals of their benevolence appear to be wasted since in a fifth study we find that consumers are not sensitive to these social signals. In other words, observers appear to be blind to consumers’ attempts to consume CSR-associated products that have high social visibility.

Finally, we also find that consumers like the more private, self-signaling potential associated with the purchase of these products, even when a strong social signal is absent. Perhaps reassuring from a normative perspective, the ability to send social signals mattered less to consumers when they were explicitly reminded about the high self-signaling potential of CSR-associated products. These studies, using disparate manipulations and dependent measures, provide convergent findings. In sum, we find that the valuation of a CSR-associated product is jointly determined by its social and self-signaling potential.

“Competing Through Corporate Social Initiatives: The Roles of Initiative Participation and Brand Trust”

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Defined broadly as “a commitment to improve [societal] well-being through discretionary business practices and contributions of corporate resources” (adapted from Kotler and Lee 2005), corporate social responsibility (CSR) occupies a prominent place on the global corporate agenda in today’s socially conscious market environment. An increasing body of research has shown that there are multi-faceted business benefits companies can reap from engaging in CSR activities, such as more favorable product evaluation (Sen and Bhattacharya 2001), greater consumer loyalty and advocacy (Du, Bhattacharya and Sen 2007). According to a survey reported in McKinsey Quarterly (2009), companies are using CSR initiatives to build and strengthen their competitive position in the market. However, to the best of our knowledge, prior research on CSR has focused overwhelmingly on single brand contexts and therefore has excluded any potential effects of competition on the business returns to CSR.

Using the context of a challenger-leader competition, this research examines the efficacy of CSR initiatives as a challenger’s competitive weapon against a market leader. We did a series of focus groups on participants and non-participants of a real-world corporate social initiative aimed at improving oral health among disadvantaged Hispanic communities. The initiative was undertaken by an oral care brand whose market share in the U.S. Hispanic segment was lagging behind its major competitor and hence was in a challenger position. Interviews with brand managers indicated that one of the business objectives in launching this social initiative was to gain market share in the Hispanic segment. The focus group study highlighted two factors that might affect consumers’ reactions to the initiative, their participation (or not) in the challenger’s initiative and their extant trust in the leader. More specifically, we find that consumers who had participated in the initiative described the challenger as more trustworthy (e.g., caring, trustworthy, angelical, and Latino—it is one of us) regardless of their trust in the leader. In contrast, the reactions of consumers who were merely aware of the initiative varied dramatically depending on their level of trust in the leader. Specifically, aware consumers who had high trust in the leader tended to question the sincerity of the challenger’s CSR motives (e.g., “they help the community to make a name for themselves and to gain popularity.”), or argue that the leader provided similar benefits to the community. On the other hand, aware consumers who were not emotionally attached to the leader embraced the challenger’s social initiative (e.g., “this means they care about our welfare and want us to get ahead.”) and displayed favorable reactions to the challenger’s initiative similar to those of the participant consumers.

Based on the exploratory focus group study and prior research on relationship marketing, trust, and attributions, we developed a series of hypotheses which were then tested in a follow-up field survey in the same empirical context. Results from our survey provided support for our hypotheses regarding (1) the interactive effects of initiative participation (vs. awareness) and brand trust in the leader on consumer reactions to the challenger’s initiative, (2) the mediating role of brand trust in cultivating consumer loyalty, and (3) the mediating role of CSR attributions in building brand trust.

Our research contributes to the literatures of CSR, trust, and competition. By looking at the real-world scenario involving a challenger brand trying to make inroads into the incumbent brand’s turf, we are able to paint a more nuanced, realistic picture of the
business returns to CSR compared to previous CSR research. As well, in light of extant thinking that a late entrant’s superior marketing mix is often ineffective in the face of an incumbent brand’s advantage (Bowman and Gatignon 1996; Shankar, Carpenter, and Krishnamurthi 1998), our research shows, for the first time, the late entrant’s ability to leverage its CSR to overcome the incumbent advantage among not only participant consumers but also non-participant consumers who are aware of the CSR and whose trust in the incumbent is relatively low. Also importantly, our research points to the pivotal role of consumers’ affective trust in the dynamics of challenger-leader competition. While the unique advantage of CSR in helping a challenger compete stems from the ability of such actions to engender trust amongst its desired consumers in a relatively short period of time, turning them into not just customers but champions, consumers’ trust in the market leader represents the essential competitive barrier the challenger must overcome in order to win them over.

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Corporate social responsibility (CSR) can be used as an effective marketing technique and in 2007 companies spent $4.4 billion on CSR (Lawrence and Mukai 2008). While many brands, new and established, engage in CSR activities, new brands are increasingly positioned as socially responsible options. For instance, a new brand on the market, Method, is positioned as an environmentally-friendly line of household cleaners. 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) and enhance brand evaluations (Brown and Dacin 1997). However, recent research suggests that consumers perceive more ethical brands to be less effective (Luchs et al. 2008). Here, we investigate this “moral discount” and find that activities can potentially hurt new brands and that the type of “ethical element” (what we refer to as the CSR attribute) strongly influences this effect.

Attributes of a product can either be centrally tied to the product’s use, i.e., intrinsic attributes, or peripherally related to the product, i.e., extrinsic attributes (Richardson, Dick, and Jain 1994). Consumers use both intrinsic and extrinsic attributes when making evaluations of a brand (Jacoby, Olson, and Haddock 1973). In regards to a CSR attribute, an example of an intrinsic attribute is earth-friendly ingredients and an example of an extrinsic CSR attribute is when the company donates money to a charity.

When a brand engages in a CSR campaign, the CSR attribute becomes an important piece of accessible information for consumers to use when evaluating a new 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 information (Menon, Raghubir, and Schwarz 1995); however, this is only possible for established/familiar brands. Context-based information, information given during the time of the decision, is used when memory-based information is not accessible. With a new/unfamiliar brand, consumers cannot 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 a typical extrinsic CSR attribute, e.g., donating money to a charity, consumers will fall prey to Luchs et al. (2008) ‘ethical equals less effective’ lay theory. Thus, we hypothesize that compared to a non-CSR attribute, an extrinsic CSR attribute will decrease perceived brand effectiveness for an unfamiliar/new brand.

Since the physical makeup of a product does not change with an extrinsic CSR attribute, this type of attribute is generally easy to implement. However, many new brands are also focused around intrinsic CSR attributes (e.g., Method Cleaner). Thus, do consumers’ perceptions of a new brand change when the CSR attribute is intrinsic versus extrinsic? We hypothesize that an intrinsic CSR attribute actually helps a new 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 and therefore are not strong indicators of the product.

In study 1, we test our hypotheses and include a familiar/established brand as our control condition. The study was conducted among undergraduate students. Participants saw a picture of an acne medicine in one of six conditions in a 2 (brand: familiar vs. new) X 3 (attribute: extrinsic CSR attribute, intrinsic CSR attribute, no CSR attribute) between-subjects design. The first factor manipulated the brand of acne medicine (familiar brand, i.e., Clearasil, versus a new brand, i.e., Dermisa). The second factor manipulated the product’s attribute (extrinsic CSR attribute, intrinsic CSR attribute, no CSR attribute). In the extrinsic CSR condition, the slogan stated “20% of All Profits Donated to Environmental Charities.” In the intrinsic CSR attribute condition, the slogan stated “Made with All-Organic Ingredients.” In the no CSR attribute condition, no CSR information was provided. Participants then responded to questions regarding the expected efficacy of the product. We conducted a 2 X 3 ANOVA with perceived effectiveness as the dependent variable. The results support our predictions; there is a significant Attribute X Brand interaction ($F(1,136) = 3.13, p < .05$). Follow-up analyses in the new brand condition show the product that donates profits to charities is perceived to be significantly less effective than the product made with all-organic ingredients ($F(1,44) = 8.74, p < .01$) and the product with no CSR information ($F(1,38) = 4.61, p < .05$). However, for the familiar (control) conditions, there are no differences among the products, regardless of the attribute type (all $p’s > .14$).

To examine our results across different segments of the population, study 2 was conducted among adults ($M_{age} = 40$). Participants saw a household cleaner in one of six conditions in a 2 (brand: familiar vs. new) X 3 (attribute: extrinsic CSR attribute, intrinsic CSR attribute, no CSR attribute) between-subjects design. The first factor manipulated the brand of the cleaner (familiar brand, i.e., Lysol, versus a new brand, i.e., Dettol) and the second factor manipulated the product’s attribute. As in study 1, the extrinsic CSR condition referred to making a donation, the intrinsic CSR condition referred to being made with all-organic ingredients, and the non CSR condition did not contain any CSR information. Participants were then asked questions regarding the expected efficacy of the cleaner. We conducted a 2 X 3 ANOVA with perceived effectiveness as the dependent variable. There is a significant Attribute X Brand interaction ($F(1,188) = 3.21, p < .05$). For the new brand, the product that donates profits to charities is perceived to be significantly less effective than the product made with all-organic ingredients ($F(1,28) = 10.87, p < .01$) and the product with no CSR information ($F(1,29) = 7.89, p < .01$).

We conducted two more studies as product category replications, using candy bars and laundry detergent, respectively. The results of these two studies support the findings described above. Overall, this research demonstrates that, in promoting new socially responsible brands, managers should consider the type of CSR activity in which they engage.
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