

**Piotr Wójcik***PhD student, Warsaw School of Economics*

## **The effects of corporate social responsibility initiatives and price premiums on Polish consumers' responses: an experimental study**

### **Abstract**

This article explores whether, how and which forms of corporate social responsibility (CSR) initiatives influence consumer perceptions of the value of and intention to buy responsibly manufactured yogurt, and identifies the impact of the price rise effect on consumer responses. An experimental study was conducted using scenarios with a sample of 421 university students. The results indicate that information about positive corporate behavior evokes higher perceived value and buying intention than information about negative corporate behavior; that responses differ significantly depending on whether or not the CSR initiative relates to the firm's core business; and that there is a level of consumer sensitivity to the price premium for a responsibly made yogurt. This study expands existing knowledge beyond previous areas of focus by demonstrating that a CSR initiative related to a firm's core business generates higher perceived value and buying intention than a non-related initiative, and by showing that there exists a trade-off between functional and social attributes. The findings of this study may be of interest to companies by showing the level of premium price acceptance and by demonstrating that CSR initiatives detached from basic business activity may bring negative consequences in terms of sales volume.

**Key words:** corporate social responsibility, consumers, Poland

### **Introduction**

The Corporate Social Responsibility (CSR) concept has attracted significant attention in the academic literature [Carroll, 1999; Garriga and Mele, 2004]. Many companies (especially multinational corporations) around the world engage in CSR initiatives and imple-

ment CSR standards involving significant financial resources. These enterprises count on positive reactions from their stakeholders, especially customers, as their concern grows about the natural environment and social issues. Identification of those CSR initiatives which are valued and those which are not valued by customers may have important practical implications and may provide explanations for the discrepancy between supply of and demand for CSR. Therefore, the following questions arise: does the fact that the company implements social responsibility imply that consumers perceive it as an additional value? And how are different kinds of CSR actions perceived by consumers?

Many empirical studies have been conducted in the developed economies (mainly the United States) in the area of consumer behavior with respect to CSR. The results show that consumers, in general, positively evaluate companies' use of CSR, but not all forms of it are perceived equally. Different issues that may influence support for CSR have been investigated including type and domain of CSR initiatives [Mohr and Webb, 2005; Sen and Bhattacharya, 2001], attribution and strategic positioning (corporate ability) [Brown and Dacin, 1997; Du, Bhattacharya, and Sen, 2007], price differentials [e.g., Auger, Burke, Devinney, and Louviere, 2003; Elliott and Freeman, 2001] and socio-demographic, personal traits, and personal support for CSR issues [e.g., Bhattacharya and Sen, 2004; Sen and Bhattacharya, 2001]. However, research remains limited in the context of delivered value to customer as well as in the context of post-socialist countries. The aim of this study is to investigate how different forms of CSR initiatives create value for customers and influence their buying intentions. Additionally, this paper makes an attempt to verify existing knowledge in the area of consumer behavior with respect to CSR. To achieve these objectives, a quantitative research was conducted over a four-week period in 2012.

This paper is organized in the following manner. First, it reviews the concept of corporate social responsibility and the focal construct of perceived value. Then, research hypotheses are developed. Next, research design and data collection procedure are provided and research hypotheses are tested. Finally, results are presented and discussed, followed by a description of limitations of the study, implications for business practice, and suggestions for future research.

## Theoretical background

The issue of social responsibility of business is a widely discussed topic that has been gaining momentum since the 1990s, to the point where it is now a commonly accepted stand [Carroll, 1999; Lee, 2008; Moura-Leite and Padgett, 2011]. This viewpoint stresses the social welfare aspect as a parallel goal of economic development which is understood not only in economic but also in social and environmental terms. Specifically, business activity should fulfill the conditions of the triple bottom line (TBL) and

its effectiveness is defined on the basis of the three dimensions (pillars): economic (profit), social (people), and ecological (planet) [Brown, Dillard, and Marshall, 2006; Elkington, 1999]. This view has been conceptualized in the management literature as corporate social responsibility (CSR). It goes beyond the short-term classic economic vision according to which managers are responsible solely for maximizing shareholder value [Friedman, 1970; Levitt, 1958]. The popularity of the concept has led to a proliferation of CSR principles, guidelines, standards and cause-related marketing phenomenon. Mohr, Webb, and Harris [2001:47] define CSR as “the organization’s commitment to minimizing or eliminating any harmful effects and maximizing the long-run beneficial impact on society”. CSR links conceptually business and society in the sense that company is engaged in voluntary actions aimed at enhancing society’s well-being. Carroll [1979, 1991] put in order different aspects of the concept by introducing the model of corporate social performance (CSP) containing a four-part definition of CSR, which has become a leading paradigm in the field, making it useful for theorists and practitioners [Schwartz and Carroll, 2003]. It involves four dimensions of the organization’s responsibility (economic, legal, ethical and discretionary/philanthropic), four levels of responsiveness (reaction, defense, accommodation and proaction) and involves social issues (e.g. environment, consumerism, shareholders). This study adopts Carroll’s framework according to which CSR engagement is understood as proaction (“going beyond” the objective of making a profit and obeying the law), therefore fulfilling ethical (expected by society but not codified) and/or discretionary/philanthropic responsibilities (not expected by society but contributing to social well-being, i.e. business contributions of financial resources) and engaging either in environmental or in community (societal) issues. Negative corporate behavior is defined as not abiding by the law and being socially or environmentally irresponsible. Both positive and negative corporate behavior is assumed to be recognizable to consumers.

The pursuit of assuring social welfare and environmental protection when performing business activity has raised the question of the extent of corporate profitability by implementing the concept in practice. In search of an answer, numerous empirical studies have investigated the relationship between CSR and corporate financial performance (CFP) [Margolis and Walsh, 2003; Orlitzky, Schmidt, and Rynes, 2003]. Findings have been equivocal (McWilliams and Siegel, 2001), discouraging managers from treating spending on CSR as investment rather than cost [Mohr and Webb, 2005]. It is posited that involvement in CSR may enhance CFP and lead to competitive advantage, if it is accepted by consumers and if it offers something in exchange - be it in emotional, social, or functional terms [Green and Peloza, 2001].

McWilliams and Siegel [2001, 2011] argue that CSR, as part of a differentiation strategy, may enhance the company’s reputational value. Due to the “halo effect”, it may be transferred to its products by creating a non-traditional product feature. When competi-

tive products or services are similar in terms of functionality, service, and price, a company may distinguish itself by engaging in CSR that may add value to customers and thus, may gain a competitive edge.

Perceived value, the focal construct of this study, is conceptualized as the subjective evaluation of the utility of a product by a consumer [Zeinhaml, 1988] and reflects cost-benefit analysis: a mental comparison of sacrifices that the customer needs to incur and benefits he gets [Dodds, Monroe, and Grewal 1991; Zeinhaml, 1988]. Marketing literature emphasizes that customer value involves not only functional but also altruistic aspects of the product [Bhattacharya and Sen, 2004; Holbrook, 1994; Smith, 1996]. For instance, Green and Peloza [2011], based on Sheth, Newman, and Gross's [1991] typology, found that CSR may constitute emotional, social, or functional value - or their mix - to consumers. Functional value differs from emotional value in that it generates perceived utility through functional, utilitarian or physical product attributes as opposed to feelings induced or enforced by aesthetic causes [Sheth *et al.*, 1991]. Valenzuela, Muli, and Jaramillo [2010] found that the ethical level of a company is positively associated with the perceived value. The main research question of this study is, therefore, whether CSR initiatives constitute value as perceived by the customers and whether such initiatives influence their buying intentions. Also of interest is whether increase in the price of responsibly produced goods significantly affects consumer responses.

## Hypotheses development

Prior research suggests a positive impact by CSR on consumer responses. For instance, Brown and Dacin [1997] found that a high CSR level of a company had an important impact on consumers' favorable opinions about the firm when corporate ability (CA) was also high. These results were confirmed in studies by Auger, Burke, Devinney, and Louviere [2003], Mohr and Webb [2005], Tian, Wang, and Yang [2011], and Wang [2011]. Mohr and Webb [2005] also showed that negativity bias was more intense than positivity bias; the information about positive CSR did not significantly raise the evaluation of the company and the respondents' buying intentions, while information about a negative CSR did, compared with the control group. This effect was also reported in other studies [Creyer and Ross, 1996; Sen and Bhattacharya, 2001]. Surveys in the Polish context suggest that information about a firm's involvement in human rights and ecological issues influences consumer purchasing decisions [Koszevska, 2011; MORI, 2009; Panel CSR, 2011]. Respectively, more than half [Panel CSR, 2011] and 70% [Koszevska, 2011] of consumers declared that they would resign from buying a product (given the same price and quality), if they knew about negative ecological or social practices of a company. Based on these results, the following hypothesis is offered:

**Hypothesis 1:** Information about a high level of CSR:

- (a) leads to higher perceived value and buying intention than information about a low level of CSR in the societal and ecological domains,
- (b) has a weaker impact on perceived value and buying intention than information about a company's low level of CSR in the societal and ecological domains.

Since it became obvious to managers that addressing CSR issues is now also an economic imperative, the question of “whether” has shifted to “how” to handle it [Smith, 2003]. However, as Bhattacharya and Sen [2004] note, it is not a straightforward matter as not all kinds of corporate philanthropy or cause-related marketing are viewed equally favorably by consumers. They posit that only those CSR activities that are intertwined with a firm's strategy, culture and core values may produce positive external and internal outcomes for a company, customer or cause, while attempts to “sell” CSR may have the opposite effect. Du, Bhattacharya, and Sen's [2007] empirical study on existing brands of yogurts sheds some light on this issue. They found that American consumers' reactions are more favorable toward those CSR initiatives which are “well integrated into a company's core business activities” [p. 238] than whose which are not integrated. Thus, based on the foregoing discussion and prior research, the following hypothesis is offered:

**Hypothesis 2:** Given the same quality of products and their price, a CSR initiative related to a firm's core business leads to greater perceived value and buying intention than a CSR initiative that is not related to a firm's core business, when CSR level is high.

Since prior research and surveys show positive evaluation of CSR actions by consumers, this may suggest that they are more likely to pay some premium for products from such companies. Experimental studies and surveys conducted outside Poland reveal that absolute willingness to pay a premium for a responsibly made product tends to increase when the price of the product rises. It ranges from an acceptance of an additional \$1.56 (on average) for a \$1.10 bath soap (142%) [Auger *et al.*, 2003]; an additional \$2.80 for a \$10 item (28%) [Elliott and Freeman, 2001]; an added \$1 [Marymount University, 1999] and \$5 [University of Maryland, 2000] for a \$20 item (5% and 25% respectively); an added \$5 (17%) for a \$30 shirt (over half of all consumers) [Ha-Brookshire and Norum, 2011]; a \$10.29 premium (15% on average) for \$70 athletic shoes with no child labor (Auger *et al.*, 2003); \$10 more (10%) for a \$100 pair of jeans [Ferreira, Goncalves Avila, and Dias de Faria, 2010] and 15% more for a \$100 item [Elliott and Freeman, 2001]. The Koszewska [2011] survey revealed that 70% of Polish consumers would pay a premium of 5-20% for a textile product, while another surveys show that more than 50% of consumers in Poland are willing to pay more for products from a responsible company without giving any specific amount of money [Mizera, 2011 as cited in Antczak 2011; Panel CSR, 2011]. Based on prior research, the following hypothesis is, therefore, proposed:

**Hypothesis 3:** Given the same quality and price of fast-moving consumer products, the rise in price of a responsibly made product, respectively by 100%, 150%, or 200%, does not significantly decrease value perceived by consumers and their buying intentions.

Despite consumers' overall positive attitude toward CSR revealed by the surveys and empirical studies presented above, it is worth investigating whether the CSR attribute is the most influential factor in their buying decision. Are consumers willing to give away functional product attributes to get a non-traditional, i.e. social/CSR attribute? The researcher proposes that functional product features (e.g. its quality, taste, design, container durability) affect consumers' reactions (perceived value and buying intention) more than non-traditional ones (i.e. CSR attributes). Support for this assertion comes from prior research. For instance, Bhattacharya and Sen (2004) found that when consumers who positively evaluate CSR initiatives are faced with a choice between a product's quality and its social aspect, they are unwilling to favor the former. Individual and focus group interviews [Boulstridge and Carrigan, 2000; Carrigan and Attalla, 2001; Carrigan, Szmigin, and Wright, 2004] also support this finding. Based on these results, the following hypothesis is suggested:

**Hypothesis 4:** Functional product attributes have a greater effect on perceived value and buying intention than a CSR attribute.

## Method

### (a) Study design

To test the hypotheses the experimental study, in the form of a questionnaire using scenarios, was designed as it was extensively used by other researchers and is believed to be the most appropriate method for research in the area of consumer ethics [Auger and Devinney, 2007]. Manipulations concerned the following independent variables: CSR level (low vs. high), type of CSR action with reference to a company's basic business activity (related vs. non-related), price level (100%, 150% and 200% higher) and functional attribute level (functional vs. non-functional). The number of respondents that were randomly assigned to each group ranged from 31 to 43.

Twelve scenarios were created. Each of them was followed by questions measuring constructs of perceived value and buying intention. In the first paragraph respondents were asked to imagine themselves choosing a yogurt when shopping in a supermarket. Yogurt was chosen as it reflects a category of experience: a low-involvement purchase decision product with which everyone is familiar despite gender, income and place of residence. Such product attributes as quality, attractiveness and, in the case of nine scenarios, price, were equal among yogurts in the shop's fridge, and allowing for consideration solely issues related to corporate social responsibility. The second paragraph of each scenario differed according to experimental treatment in order to assure the level of the appropriate independent variable (IV). For instance, to manipulate the level of CSR in the ecological domain, the second paragraph informed a reader that he had recently found out that one of the producers had either better than others

(high level of CSR) or worse than others (low level of CSR) waste management system (“emits more/less gases of CO<sub>2</sub>, uses more/less energy and produces more/less wastes than others in the industry”). In the societal domain, a high level of CSR was manipulated by stating that one of the producers allows pregnant women to work from home, extends maternity leave and employs hitherto jobless people. The low level of CSR was manipulated by stating that a particular producer conducts irresponsible labor policy with respect to employees (e.g. “does not allow women, after giving birth to get back to the workplace and forces employees to work over hours without financial or a day-off reward”).

### **(b) Measures**

There were two measures of the theoretical constructs that constituted dependent variables. The perceived value (PV) was measured with three items adapted from Kukar-Kinney, Xia, and Monroe [2007] and Grewal, Monroe, and Krishnan [1998]: “If I bought this yogurt, I feel I would be getting my money’s worth”, “If I bought the ‘Mlekuś’ yogurt, I think I would be getting good value for my money”, “Buying this yogurt would be a worthwhile purchase because it is reasonably priced”. The buying intention (BI) was measured with three items adapted from Kukar-Kinney et al. [2007]: “I am willing to buy this yogurt”, “The probability of my buying brand X’s product is high”, “I would probably buy this yogurt”. All items were rated on the 7-point Likert scale anchored by Strongly Disagree/Strongly Agree. The survey questions were translated from English into Polish and back-translated into English to assure equivalence [Brislin, 1970]. The comparison showed conformity between the languages.

### **(c) Data collection procedure**

Graduate students from two universities in Warsaw and one in Kielce were asked to participate in the study and fill in the questionnaires during a four-week period between May 8 and June 5, 2012. In order to increase the response rate, respondents were informed that they would take part in a lottery drawing for an award (mp3 player), if they answered all the questions. The sample was, therefore, convenient. With regard to consumer research, it is often debated whether the use of student samples limits external validity. Calder, Phillips, and Tybout [1981] argue that such a critique originates from an incorrect distinction between the research goals. According to them, there are two types of goals in consumer research: effects application and theory application. In the case of the former (which relies on the principle of induction), the effects of the study are generalized directly to a real-world situation, hence the correspondence procedures are applied (i.e. the research sample distribution is expected to reflect the real-world population distribution). In contrast, theory application’s goal (which rests on the logical principle) is to test or disprove the theory and no representative sample is required, hence it follows the falsification procedures. They also argue that homogenous samples

are preferred (e.g. students) “because they typically provide a stronger test of theory” [p. 200]. Since this study’s goal was to test the consumer ethics theory, the theory application logic was adopted.

## Results

To test the hypotheses, one-way multivariate analyses of variance (MANOVAs) were used. This method seeks to explore the differences between two or more metric dependent variables simultaneously [Hair, Black, Babin, and Anderson, 2009]. All statistical analyses were performed using the SPSS software version 19.0 with a significance alpha of 0.05.

### (a) Sample

A total of 458 questionnaires were distributed and 438 were returned, which constitutes a response rate of 95.63%. Of the 438 questionnaires, 17 were incomplete and 421 were subject to the analyses. The size of each group assigned to each scenario varied from 31 to 43, which is in line with the suggestions of Hair, Black, Babin, and Anderson [2009] about setting a minimum of 30 subjects per research group. The sample was 45.1% male, and the average age was 22.29% of the group originated from one university in Warsaw and 34% from a second university in the same city, while 35% were from a university in Kielce. The distribution of the subjects’ place of residence was as follows: less than 100,000 inhabitants – 48.7%; 100,000-400,000 inhabitants – 35.3%; more than 400,000 inhabitants – 16%. Distribution of the perceived (relative) financial situation was as follows: 20% of respondents declared their financial situation as worse than others; 55% said the same as others; 19% said slightly better than others; and 3% said they felt they are in much better financial shape than others in their environment. 21% of the subjects said they were employed on a full- or part-time basis. Unlike in the cases of place of residence, employment and financial situation (Sig.<0.05), there were no significant differences between gender and university of origin (Sig.>0.05 for both categories).

### (b) Internal consistency

Reliability of the multi-item scales of perceived value and buying intention constructs was assessed by the Cronbach alpha coefficients [Cronbach, 1951] for each of the 20 scenarios (in total 40 coefficients). The values of internal consistency for perceived value ranged from 0.666 to 0.925 (with only one score below 0.700), while for buying intention value ranged from 0.600 to 0.926 (with only one score below 0.700). Alpha coefficients of both variables, therefore, meet the criterion of adequate and high level of internal consistency (Nunnally, 1978). It was thus possible to combine the items of each construct to set the measures by using a mean score.

### (c) Hypotheses tests

Hypothesis 1a posited that consumers provided with information that a company has a high level of CSR, related either to society or to the natural environment, express greater perceived value (PV) and buying intention (BI) than when they are informed the company has a low level of CSR. To test this, two experimental groups were compared in each domain using two one-way MANOVAs. In the case of ecological domain, the Levene test for both dependent variables was violated (Sig.<0.05). Hair *et al.* [2009] recommends using a transformation procedure as a remedy for the problem of heteroscedasticity. Tabachnick and Fidell [2007] suggest reflection and square root transformation when data distribution is characterized by moderate negative skewness as in this case (for BI and PV this measure of asymmetry, when the CSR level was high, was respectively -0.453 and -0.106). The new variables were calculated according to the expression:  $X_{\text{NEW}} = \sqrt{C - X_{\text{OLD}}}$ , where C equals the largest score (i.e. 7) increased by a constant 1. The transformed dependent variables were normally distributed for low and high CSR level and for the control group, as assessed by the Shapiro-Wilk test (Sig.>0.05). The Box test for homogeneity of covariances was satisfied (M=11.548, Sig.=0.082). The Levene test revealed homoscedasticity of variances for BI (F=2.154, Sig.=0.122) and PV (F=5.503, Sig.=0.055). There was a statistically significant difference between the means of the dependent variables (F=10.445, Sig.=0.000, Wilk's  $\lambda$  = 0.677). Tests of between-subjects effects showed a statistically significant effect of CSR level on both BI (F=20.236, Sig.=0.000) and PV (F=18.961, Sig.=0.000). Tukey's HSD post-hoc test showed that mean scores of PV and BI were statistically significantly different between the low and high level of CSR (Sig.=0.000).

For the societal domain there was a statistically significant difference between the dependent variables (F=7.292, Sig.=0.000, Wilk's  $\lambda$  = 0.754). Tests of between-subjects effects showed statistically significant effect of CSR level on both BI (F=15.175, Sig.=0.000) and PV (F=4.617, Sig.=0.012). Tukey's HSD post-hoc test showed that mean scores of PV and BI were statistically significantly different between the low and high level of CSR (Sig.=0.000). Hypothesis 1a is, therefore, supported.

Hypothesis 1b suggested that consumers are more sensitive to information about a low level of CSR than about a high level of CSR. In the ecological domain, Tukey's HSD post-hoc test showed a statistically significant difference for a low CSR level and the control group (Sig.=0.000) but not between a high level of CSR and the control group (Sig.=0.449 for PV and Sig.=0.948 for BI). Similarly, in the case of societal domain, the test showed a significant difference between a low level of CSR and the control group (Sig.=0.000 for BI and Sig.=0.002 for PV) but not between a high level of CSR and the control group (Sig.=0.934 for PV and Sig.=0.947 for BI). The information about a high level of CSR did not significantly increase the perceived value and buying intention as compared to the control group in either domain. The results support Hypothesis 1 (see Table 1).

TABLE 1. Mean values – Hypothesis 1

		n	Dependent variables	
			Perceived value	Buying intention
Independent variable			Mean	Mean
Ecological domain				
CSR level	High	32	5.495	5.495
	Low	33	3.685	3.676
	Control group	31	5.194	5.441
Societal domain				
CSR level	High	35	5.297	5.541
	Low	32	4.469	3.958
	Control group	31	5.194	5.441

Source: Own calculation.

Hypothesis 2 suggested that a CSR initiative related to a firm's core business has greater effect on perceived value and buying intention than a CSR initiative which is not related to a firm's core business, given the same quality of product and price. To test this, one MANOVA was conducted with the independent variable set as a type of CSR initiative having two levels: related and non-related to a firm's business activity (see Table 2). BI and PV scores were normally distributed for both types of CSR initiative, as assessed by the Shapiro-Wilk test (Sig.>0.05 for each). The assumption of homogeneity of covariances was satisfied, as assessed by the Box Test ( $M=7.220$ ,  $P=0.072$ ). The Levene test for homogeneity of variances of both dependent variables was also satisfied with Sig.>0.05. The results of MANOVA revealed that there was a statistically significant difference between consumers' reactions ( $F=52.387$ , Sig.=0.000, Wilk's  $\lambda = 0.414$ ) as induced by the type of CSR initiative. Tests of between-subjects effects showed that the type of CSR initiative had a statistically significant effect on BI ( $F=92.168$ , Sig.=0.000) and PV ( $F= 62.029$ , Sig.=0.000). Hypotheses 2 is, therefore, supported.

TABLE 2. Mean values – Hypothesis 2

		n	Dependent variables	
			Perceived value	Buying intention
Independent variable			Mean	Mean
CSR level-high				
Type of CSR initiative				
	Related	39	5.248	5.410
	Non-related	38	3.282	2.982

Source: Own calculation.

According to Hypothesis 3, a higher price by a company with a high CSR level, set respectively at 100%, 150% and 200%, does not significantly decrease perceived value or buying intention. In other words, the hypothesis stated that consumers intend to spend even twice as much for a product from a responsible company than for an alternative product in the market (with no delivered information about CSR) and still perceive higher value. Thus it was expected that there would not be statistically significant differences. One-way MANOVA was conducted for three treatment groups and one control group with the independent variable set as the price level (0%, 100%, 150%, 200%) (see Table 3). The standard price, meaning no price premium, was set at the level of PLN 1.49. BI and PV scores were normally distributed for four price levels, as assessed by the Shapiro-Wilk test (Sig. > 0.05). The assumption of homogeneity of covariances was satisfied, as assessed by the Box Test ( $P > 0.05$ ). The Levene test for homogeneity of variances of both dependent variables was satisfied with Sig. > 0.05 for each. The results of MANOVA revealed that there was a statistically significant difference between consumers' reactions ( $F=3.739$ , Sig.=0.001, Wilk's  $\lambda = 0.838$ ). The analysis of the tests of between-subjects showed that the significant difference relates to BI ( $F=5.515$ , Sig.=0.001) but not to PV ( $F=0.839$ , Sig.=0.475). The mean scores were statistically significantly different for three pairs: between the control group and all treatment groups with prices respectively higher by 100%, 150% and 200% (Sig.<0.05) but not between treatment groups (Sig.>0.05), as assessed by the Tukey HSD post-hoc tests. Hypothesis 3, therefore, is not supported.

TABLE 3. Mean values – Hypothesis 3

		Dependent variables	
		Perceived value	Buying intention
Independent variable	n	Mean	Mean
CSR level-high			
Price level			
Control (0% higher)	31	5.194	5.441
100% higher	33	4.848	4.636
150% higher	31	4.968	4.215
200% higher	31	4.839	4.570

Source: Own calculation.

Hypothesis 4 predicted that functional product attributes are more important to consumers than the level of corporate responsibility. In other words, there is a trade-off between functional and CSR product attributes. This would mean that consumers do not perceive higher value and are not more willing to buy a product that is characterized by a high CSR attribute but simultaneously is worse in functional terms, than an

alternative product with a low level of CSR but better in terms of functionality. To test this, one MANOVA was conducted with two groups. The scenario for the first group described a product as high on the CSR continuum and low on the functional continuum (i.e. “less durable than previously and soiled container”). The scenario for the second group described the product as low on CSR and high on functional continuum (“more durable container”) – see Table 4. BI and PV scores were normally distributed for each combination of CSR level and functional level, as assessed by the Shapiro-Wilk test (Sig. > 0.05). The assumption of homogeneity of covariances was satisfied, as assessed by the Box Test ( $P > 0.05$ ). There was a homogeneity of variance between groups as assessed by the Levene test for equality of error variances – for BI Sig.=0.129, for PV Sig.=0.110. The multivariate test revealed that there was a statistically significant difference between consumers’ reactions ( $F=8.423$ , Sig.=0.000, Wilk’s  $\lambda = 0.831$ ). The results of the between-subjects effects test showed significant differences between BI ( $F=4.841$ , Sig.=0.031) and between PV ( $F=17.045$ , Sig.=0.000) for both levels of independent variable. Hypothesis 4 is, therefore, supported.

TABLE 4. Mean values – Hypothesis 4

Independent variable	n	Dependent variables	
		Perceived value	Buying intention
		Mean	Mean
CSR level			
High + low functionality	43	4.333	4.767
Low + high functionality	43	5.233	5.279

Source: Own calculation.

#### (d) Discussion

As a result of rapidly growing competition, many firms seek various opportunities to differentiate their offer on the market. One of these distinguishing strategies focuses on enhancing reputation through engagement in pro-environmental or pro-social programs (corporate social responsibility initiatives). The main concern is how to perform them [Bhattacharya and Sen, 2004; Smith, 2003].

While many studies attempted to investigate different aspects of consumer behavior with respect to CSR and identify the forms of CSR initiatives which are positively evaluated by consumers, relatively few of them have explored these issues outside the United States and through the lens of value received simultaneously [an exception is a study by Ferreira *et al.*, 2010]. This study tended to fill the gap by investigating in what direction and to what extent corporate social responsibility initiatives affect Polish consumers’ reactions using the constructs of perceived value and buying intention. It showed that

previous knowledge about consumer behavior with respect to CSR does not hold true in some aspects and that various issues are involved in the process of emotional value creation through the cause-related marketing strategy.

The results suggest that respondents perceive significantly higher value of yogurt and are more willing to buy it when they knew that the company which produced it behaved responsibly than when they were informed that company was irresponsible. It was also found that respondents were significantly more affected by information about negative than positive corporate behavior as compared with the control group. These results support findings of prior experimental studies [Creyer and Ross, 1996; Mohr and Webb, 2005; Sen and Bhattacharya, 2001]. Mohr and Webb [2005] posited that the stronger effect of “negativity bias” is due to the fact that respondents may assume that no CSR information means lack of responsibility problems (i.e. positive CSR), or they simply do not think of it. Stronger sensitivity to negative CSR information may mean that avoiding questionable corporate behavior may be a more effective cause-related marketing strategy than engaging in CSR initiatives. Several researchers [e.g., Auger *et al.*, 2003] indicate that in fact, a low level of CSR may cause consumer punishment involving a boycott that may affect the company’s decisions or revenues. The example of the boycott of Nike due to bad treatment of the workforce in its Asian factories [Kytte and Ruggie, 2005] or of BRE Bank in Poland due to unfair determination of mortgage rates [Roszkowska-Sliz, 2011] may confirm this phenomenon. However, as stated by Klein and Dawar [2004] and Ettenson, Smith, Klein, and Andrew [2006], a boycott’s effects on sales are overestimated.

The effect of the type of CSR action (related vs. non-related) was found to be statistically significant. Respondents supported to a higher degree a CSR action that was related to a firm’s core business as compared with an initiative that was not related. Even more interesting, the non-related type of CSR engagement had little effect on perceived value and buying intention (value below 3.5). This is consistent with what was found by Du *et al.* [2007], and may suggest that “selling” CSR may bring negative consequences for companies in terms of sales volume. Consumers simply may not trust a firm that does anything in order to increase profits. This may explain why not all CSR actions are efficient in economic terms.

The price increase effect was found to be significant. Higher prices significantly decreased respondents’ buying intention but they still believed the premium charge was justified (perceived value did not decline notably), even when a yogurt was three times more expensive than an alternative one with no CSR feature. The results are thus inconsistent with findings of prior research of consumers in the United States, Australia and Hong Kong [Auger *et al.*, 2003; Elliott and Freeman, 2001; Ha-Brookshire and Norum, 2011] and surveys of Polish consumers [Koszevska, 2011; Mizera, 2011 cited in Antczak, 2011; Panel CSR, 2011]. Perhaps, in the Polish context, in order to be acceptable, the price rise should amount to less than \$0.50 (which constitutes 100%) for a responsibly produced low-involvement product.

In line with previous research and as expected, respondents, when forced to select between a functional and non-functional (CSR) feature, chose the former. In other words, they saw higher value in a yogurt which tastes good, whose container is solid and which was produced by a company with a poor CSR record and were willing to buy it to a greater extent than one which was produced responsibly but had an easily destructible container and did not taste good. The above findings confirm some prior observations [e.g., Bhattacharya and Sen, 2004; Boulstridge and Carrigan, 2000] but do not support the conclusions of Auger *et al.* [2003], who found that ethical and functional features had approximately equal effect on willingness to pay in the case of a low-involvement product (soap). However, when they investigated the impact on a durable good (athletic shoes), functional features were revealed to play a more important role than ethical features in consumer decision making.

## Managerial implications

The evidence from this study has important practical implications for business practice and marketing managers by providing insight into the perception of different types of CSR initiatives. Companies investing in CSR are likely to be interested in which initiatives are more valued than others. Decisions about implementing a specific CSR initiative should be made with caution since engaging in any type of CSR does not always enhance perception of a company. The experimental results demonstrate that the previously unconsidered issue of whether CSR initiative is related to a firm's basic activity makes a difference to consumers. Specifically, findings indicate the importance of designing such an initiative that relates directly to a company's core business as opposed to an initiative that does not. In this context, the role of valid information about CSR needs to be emphasized. In this study, respondents were informed about corporate behavior, while in practice, this process is made by the companies and the media, and may be supported by governmental or non-governmental organizations. This constitutes a challenge for marketers. Firms seeking to enhance the positive effect of their engagement in CSR should choose the appropriate communication strategy and consider the possibility of cooperation with external agents.

The study also found that Polish consumers' reactions differ from reactions of consumers in the United States in the sense that they are not willing to pay more than twice as much for a fast-moving consumer product (yogurt). This may suggest that a decision to raise the price of the "responsible" consumer good should be made carefully, as imposing too much of an increase may discourage the purchaser. It seems that consumers' trade-off between corporate responsibility and price may constitute an opportunity as well as a disadvantage for firms. In a case where price effect dominates responsibility effect, a company may differentiate itself or its product as eco-friendly (responsible) and

still use a price-related marketing strategy by focusing on diminishing costs of business processes such as manufacturing, transportation or distribution [Carrete, Castaño, Felix, Centeno, and Gonzalez, 2012].

This research also shows that providing a non-traditional attribute of a product cannot be offered instead of traditional features like quality, taste, excellent customer service, design, etc. This may suggest that cause-related marketing focused on delivering emotional value instead of functional value is less effective in economic terms than the one which provides solely functional value.

## Limitations and future research

Several limitations of this study need to be acknowledged. First, as was mentioned earlier, one of the goals of this research was to test the theory and not to generalize the results; therefore, the sample may be considered a deficiency. Student respondents may distort findings as they are more price sensitive. In order to extrapolate the results to the population, further research should, therefore, be conducted on a representative sample.

Consequently, the findings pertain to the fast-moving consumer goods sector and, therefore, may not hold true in the durable goods sector. Second, the predictive power of individual behavior based on this study is relatively low and its findings may be treated as consumer attitudes. To better understand consumer behavior with respect to CSR, it is suggested that future studies include theoretical constructs of normative beliefs (subjective norm) and control beliefs (perceived behavioral control) according to assumptions of the theory of planned behavior [Ajzen, 1985, 1991]. Third, information was delivered in the form of scenarios and respondents had to imagine themselves taking part in the hypothetical situation. The researcher believes that conducting a laboratory or field experiment would provide more accurate results. It should also be noted that subjects answered questions in quick succession after they had been informed about companies' CSR levels. In reality this process is extended over time.

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