

**CORPORATE SOCIAL RESPONSIBILITY AND IRRESPONSIBILITY IN THE RETAILING SECTOR:
EFFECT ON THE BRAND EQUITY**

Valérie Swaen

Université catholique de Louvain et IESEG School of Management (LEM-UMR 9221)

v.swaen@ieseg.fr

3 rue de la digue, 59800 Lille, Tél : 33 (0)320 545 892

Nathalie Demoulin

IESEG School of Management (LEM-UMR 9221)

n.demoulin@ieseg.fr

3 rue de la digue, 59800 Lille, Tél : 33 (0)320 545 892

Véronique Pauwels

IESEG School of Management (LEM-UMR 9221)

v.pauwels@ieseg.fr

3 rue de la digue, 59800 Lille, Tél : 33 (0)320 545 892

Abstract: Today companies spend substantial resources in social and environmental programs; yet at the same time, the world has witnessed some of the greatest cases of corporate irresponsibility. In this context, consumers may hold a mixed set of positive and negative information about corporate social responsibility (CSR) and corporate social irresponsibility (CSI), both influencing their reactions with respect to the companies from which they buy products. The purpose of this paper is to explore how consumers' CSR and CSI perceptions interrelate to impact consumers' value perceptions and consumer-based brand equity. Our results show that both CSR and CSI perceptions influence how consumers perceive the brand and that consumers do react differently to different dimensions of CSR and CSI perceptions. Quite surprisingly, our results also reveal that CSI perceptions could have a positive impact on consumers' value perceptions.

Keywords: Corporate social responsibility; Perceived value; Brand equity

RESPONSABILITE ET IRRESPONSABILITE SOCIETALES DES ENTREPRISES DE LA GRANDE DISTRIBUTION : IMPACT SUR LA VALEUR DE LA MARQUE

Résumé : De nos jours, les entreprises dépensent des sommes colossales dans des programmes environnementaux et sociétaux. Pourtant simultanément, des cas d'irresponsabilités sociétales apparaissent dans le monde de la grande distribution. Dans ce contexte, le consommateur peut à la fois assimiler des informations positives et négatives, toutes deux influençant leurs réactions à l'égard des entreprises qu'ils fréquentent. L'objectif de cette communication est d'explorer comment les responsabilités et les irresponsabilités sociétales interagissent pour influencer la valeur perçue et le capital de marque du point de vue du consommateur. Nos résultats démontrent que les clients réagissent différemment aux différentes dimensions constitutives des perceptions des responsabilités et des irresponsabilités sociétales et que celles-ci influencent la manière dont les consommateurs perçoivent la marque enseignée. Étonnamment, nos résultats révèlent également que les perceptions de l'irresponsabilité peuvent avoir un impact positif sur la valeur perçue.

Mots clefs : Responsabilité sociétale des entreprises ; valeur perçue ; valeur de la marque

Introduction

Because consumers appear to be sensitive to corporate social responsibility (CSR), companies spend substantial resources in CSR reporting and development of social and environmental programs to demonstrate their responsibility to society (Bartlett, May, and Ilhen, 2012). Yet at the same time, the world has witnessed some of the greatest cases of corporate irresponsibility (CSI) with environmental disasters and huge human abuses. Quite surprisingly, scholars have only recently started to pay attention to CSI (Lange and Washburn 2012; Lin-Hi and Müller, 2013; Öberseder, Murphy and Schlegelmilch, 2013). While journalists focus more on exposing negative stories, companies avoid the negative perspective and communicate about their CSR activities. In this context, consumers may hold a mixed set of positive and negative information about CSR and CSI that influence their reactions to companies. Thus, our objectives are to explore how consumers' CSR and CSI perceptions affect consumers' value perceptions and consumer-based brand equity in the grocery retail industry and to understand the underlying mechanism.

Theoretical Background and Hypotheses Development

In line with recent publications which consider a stakeholder-based view approach to define CSR (El Akremi, Gond, Swaen, Igalens, and De Roeck, in press; Öberseder, Schlegelmilch Murphy, and Gruber, 2014), we define CSR as an organization's context-specific actions and policies that aim to enhance the welfare of stakeholders by accounting for the triple bottom line of economic, social, and environmental performance, with a focus on consumers' perceptions of CSR. On the other hand, based on Lin-Hi and Müller (2013), CSI can be defined as any corporate actions that result in disadvantages and/or harm to other actors; or "where great harm is caused to the system, and where almost all unbiased observers are in agreement that an irresponsible act occurred" (Tench et al., 2012, p. 8).

According to Jones et al., (2009), CSR and CSI should be conceived of as distinct concepts that represent the opposite ends of a continuum. Moreover, the measurement tools of CSR perceptions ask for respondents' degree of agreement with positive statements about the company's activities. However, disagreeing with those positive statements may translate a lack of CSR, but not necessarily mean that the company is perceived as irresponsible. Thus, we expect:

H1. Consumers' CSR perceptions and consumers' CSI perceptions are negatively correlated but different constructs.

While CSR can positively impact on consumers' attitudes and behavioral intentions (Sen and Bhattacharya 2001), accusations of social irresponsibility have strong negative effects on consumer attitudes toward companies (Wagner, Lutz and Weitz, 2009) and can severely damage the company's reputation, brand equity, sales revenues and market shares. But what happens when consumers hold both CSR and CSI perceptions at the same time? Corporate irresponsible behaviors may have stronger effects on perceived CSR than responsible behavior (Öberseder et al., 2014), since people show stronger affective and cognitive reactions to negative information than to positive information (Lin-Hi and Müller, 2013). And, in the simultaneous presence of positive and negative information, negative information is given more weight in the overall evaluation of a particular subject (Lange and Washburn, 2012; Sen and Bhattacharya, 2001). Moreover, the influence of consumers' CSR/CSI perceptions on attitudes depends on the type of activities and the stakeholders at stake. Bhattacharya, Sen and Korschun (2008) highlighted the "what's in for me?" effect, illustrating that consumers will react more strongly with respect to activities that will impact themselves directly as consumers. Consumers may highly care about how companies treat customers, employees and the environment and moderately about how companies treat suppliers, society and the local community (Öberseder et al., 2013).

As retail customers are "value-driven" (Levy, 1999), the focus of our research is to understand the influence of consumers' CSR and CSI perceptions on customer's value, defined as "consumer's overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given" (Zeithaml, 1988, 14). Value perceptions are an important driver of consumer-based brand equity (Pappu and Quester, 2006). Customer-based brand equity is a customer's subjective and intangible assessment which results from the effects of all marketing activities, designed to create positive, strong and unique associations in consumers' memory (Aaker, 1991; Keller, 1993). Based on the previous discussion, we establish the following four hypotheses:

H2. Consumers' CSR perceptions relates positively to consumer-based brand equity, through their positive impact on consumers' value perceptions.

H3. Consumers' CSI perceptions relates negatively to consumer-based brand equity, through their negative impact on consumers' value perceptions.

H4. Consumers' CSI perceptions have a higher impact on consumers' value perceptions (and consumer-based brand equity) compared to the consumers' CSR perceptions.

H5. a) CSR and b) CSI perceptions towards corporate activities linked to consumers themselves have a larger impact compared to other dimensions.

Research Methods

We developed a questionnaire in order to evaluate the perception of CSR and CSI about the grocery industry in Belgium. Participants were asked a series of questions measuring, on 7-point scales, consumer-based brand equity (4 items, Yoo, Donthu, and Lee, 2000); consumers' value perceptions (5 items for quality value; 5 items for emotional value, 5 items for price value; 4 items for social value; Sweeney and Soutar, 2001); consumers' perceptions about CSR activities related to consumers (15 items), employees (13 items), local community (15 items), suppliers (6 items), and the natural environment (7 items) (adapted from El Akremi et al. in press; Öberseder et al. 2014); as well as consumers' perceptions about CSI activities related to consumers (20 items), employees (10 items), local community (6 items), suppliers (7 items), and the natural environment (6 items). We developed the list of CSI activities in the grocery industry by analyzing the literature (Brunk, 2010; Lin-Hi and Müller, 2013; Öberseder et al., 2013; Wagner et al., 2008); by looking for CSI allegations in the media; by asking master students to list CSI activities; and by refining this list with the help of four CSR experts. Participants were recruited through emails sent by master's students at a large European university and were asked to participate to our online survey. Among the 771 participants, 58.9% were female; their average age was 31.7 years.

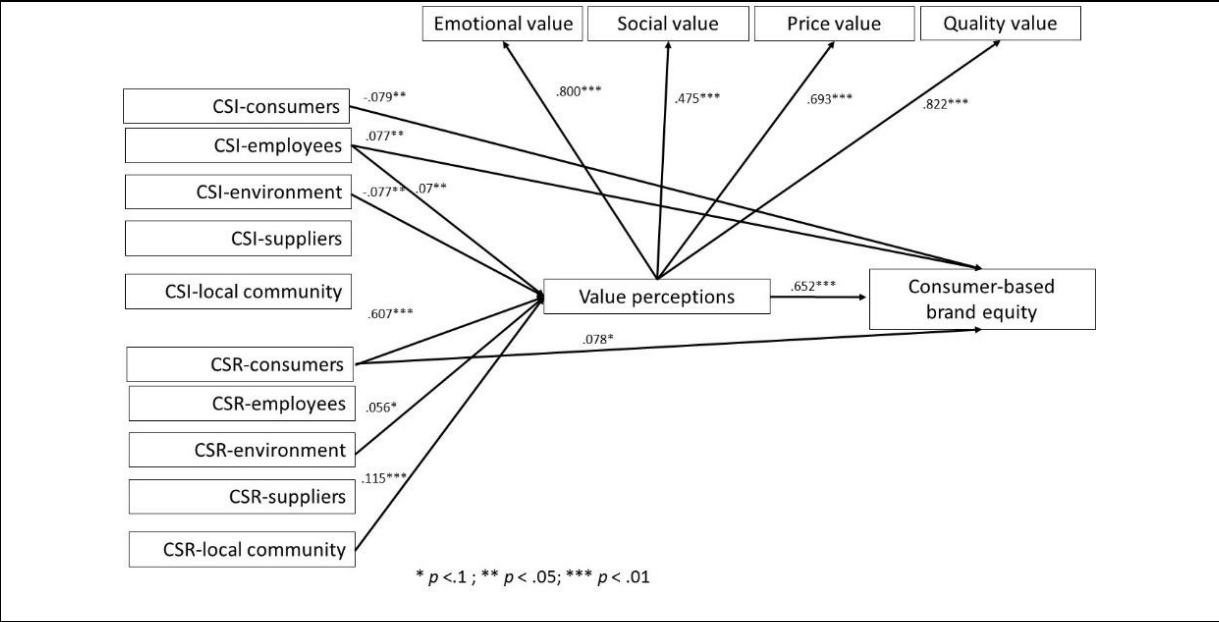
Main Results

As expected in H1, exploratory factor analyses indicate that CSR and CIR items load on different factors. All Cronbach alpha were largely above .7 except for CSI-environment but it is very close to the accepted threshold of .7. In addition, the composite reliabilities ranged from .82 to .963, so the convergent validity of our constructs is adequate (Fornell and Larcker, 1981). The square root of AVE for each latent variable is higher than correlation with other variables, which support a good discriminant validity (Fornell and Larcker, 1981). H1 is thus supported.

To test H2 to H5, we use Partial Least Square regressions to test them. The standardized root mean square residual is equal to .089 which indicates a good fit of the model. In addition,

the R-squared for brand equity and value are respectively .456 and .556. As shown in figure 1, consumers' perceptions about CSR-consumers, -environment and -local community impact positively consumers' brand equity through value perceptions as expected by H2. Indeed, we have a direct and indirect effect of CSR-customers on brand equity and indirect effects through value perceptions for CSR-environment for which the total effect on brand equity is significant. The CSR-local community has a direct effect on value perceptions but there is no significant total effect on brand equity. Furthermore, the effects of CSR-consumers have the larger positive impact on consumers' value perceptions as expected by H5.

Figure 1. Structural model



As hypothesized in H3, CSI-environment is negatively related to value perceptions and indirectly to brand equity, while CSI-consumers have a direct negative impact on brand equity. These results highlight the importance of avoiding CSI-consumers and CSI-environment. Surprisingly, and in contradiction with H3, CSI-employees positively influence value and brand equity. This result should be investigated further to understand why consumers can see as an adding value the fact that the retailer treats badly its employees. Consumers may consider that this bad treatment of employees will lead to lower costs for the retailer, and then lower prices paid by consumers themselves. Results are then mitigated with respect to H3.

Finally, contrary to H4, CSR perceptions seem to have a stronger influence on value perceptions compared to CSI perceptions. This result could be due to the fact that respondents

answered the questionnaire with the retailer they visit the most. Consumer attachment to the retailer may have reduced effects of consumers' CSI perceptions on their evaluations of the retailer. Further research should investigate this result that contradicts the positive-negative asymmetry effect.

We can remark that the way the retailer treats its suppliers has no significant impact on consumers' perceptions about the value and the brand equity. This result could translate a lack of consumers' interest for stakeholders like suppliers that are far away from them, and/or the fact that consumers have no clear (positive or negative) information about the way retailers treat their suppliers.

Discussion

This study highlights that consumers' perceptions of CSR and CSI coexist in consumers' minds and that both perceptions influence how consumers perceive the brands. We also observed that the different dimensions of CSR and CSI perceptions do not play the same role with respect to consumers' reactions. Some dimensions have an impact both positively (positive impact of CSR) and negatively (negative impact of CSI); some other dimensions only play a role when positively assessed; while finally some others dimensions have no impact at all on the perceived value and equity of a retailer.

Moreover, and quite surprisingly, CSI perceptions could have a positive impact on retailer value perceptions. Further research should further investigate the latter phenomenon. Some CSI activities could be associated with a lower price for end users (like when a company uses forced or cheap labor and suppliers), which at the end of the day increase the value for consumers. This result would then be aligned with the "what's in for me?" effect previously identified in the literature.

The total effect on consumer-based brand equity varies across CSR and CSI activities. Among CSR activities, those related to customers show the most important total effect on brand equity followed by activities related to the environment. In line with Öberseder et al. (2013), customers are more influenced by retailers' actions which affect themselves. CSR actions related to the environment are probably perceived by customers as having an impact on their long term well-being, resulting on a positive total effect on the retailer brand equity. It confirms that not all CSR initiatives are equally important or meaningful for customers (Ailawadi, Neslin, Luan, and Taylor, 2014). Thus, retailers should invest their effort in the

most worthy ones, and this effort could take two different forms depending on the stakeholders concerned: reducing CSI perceptions (i.e., reducing harm created in society) or increasing CSR perceptions (i.e., developing a positive impact on society).

We note the limitations of our work. First, our sample includes too many young people and our research is cross-sectional. Second, respondents chose the retailer they want to rate, and this could be their favorite retailer, what could bias the results. Third, we examined the impact of CSR and CSI perceptions in the grocery retail industry only. Finally, further research should focus on how and why different dimensions of CSR and CSI perceptions influence the development of consumers' relationships with brands, and under which conditions the impact of CSR activities on consumers dominates the impact of CSI activities.

References

- Aaker DA (1991) *Managing brand equity*. New York: Free Press.
- Bartlett J, May S and Ilhen O (2012) Organisations behaving badly: The role of communication in understanding CSI and CSR. In Tench R, Sun W, and Jones B (Ed.), *Corporate social irresponsibility: A challenging concept*, Critical Studies on corporate responsibility, governance and sustainability (pp. 157-174), Emerald Group Publishing Limited.
- Bhattacharya C B, Sen S and Korschun D (2008) Using Corporate Social Responsibility to Win the War for Talent. *MIT Sloan Management Review* 49(2): 37–44.
- Brunk KH (2010) Exploring origins of ethical company/brand perceptions — A consumer perspective of corporate ethics. *Journal of Business Research* 63: 255–262.
- El Akremi A, Gond J-P, Swaen V, Igalens J and De Roeck K. (in press) How employees perceive corporate responsibility? Development and validation of a multidimensional corporate stakeholder responsibility scale. *Journal of Management*, DOI: 10.1177/0149206315569311.
- Fornell C and Larcker DF (1981) Evaluating Structural Equation Models with Unobservable Variables and Measurement Error. *Journal of Marketing Research* 18: 39–50.
- Keller KL (1993) Conceptualizing, measuring and managing customer-based brand equity. *Journal of Marketing* 57: 1-22.
- Jones B, Bowd R and Tench R (2009) Corporate irresponsibility and corporate social responsibility: Competing realities. *Social Responsibility Journal* 5(3): 300–310.

Lange D and Washburn NT (2012) Understanding attributions of corporate social irresponsibility. *Academy of Management Review* 37: 300–326.

Levy M (1999) Revolutionizing the retail pricing game. *Discount Store News*, 28 : (September), 15.

Lin-Hi N and Müller K (2013) The CSR bottom line: preventing corporate social irresponsibility. *Journal of Business Research* 66: 1928-1936.

Murphy PE and Schlegelmilch BB (2013) Corporate social responsibility and corporate social irresponsibility: Introduction to a special topic section. *Journal of Business Research*, 66: 1807-1813.

Öberseder M, Schlegelmilch BB and Murphy PE (2013) CSR practices and consumer perceptions. *Journal of Business Research* 66: 1839–1851.

Öberseder M, Schlegelmilch BB, Murphy PE and Gruber (2014) Consumers' Perceptions of Corporate Social Responsibility. *Journal of Business Ethics* 124: 101–115.

Pappu R and Quester P (2006) Does Customer Satisfaction Lead to Improved Brand Equity? An Empirical Examination of two Categories of Retail Brands *Journal of Product and Brand Management* 15: 4–14.

Sen S and Bhattacharya CB (2001) Does doing good always lead to doing better? Consumer reactions to corporate social responsibility. *Journal of Marketing Research* 38: 225–243.

Sweeney JC and Soutar GN (2001) Consumer perceived value: The development of a multiple item scale. *Journal of Retailing* 77: 203-220.

Tench R, Sun W and Jones B (2012) *Corporate Social Irresponsibility: A Challenging Concept*, Critical Studies on Corporate Responsibility, Governance and Sustainability, (Volume 4), Emerald Group Publishing Limited.

Wagner T, Bicen P and Hall ZR (2008) The dark side of retailing: Towards a scale of corporate social irresponsibility. *International Journal of Retail and Distribution Management* 36: 124–142.

Wagner T, Lutz RJ and Weitz BA (2009) Corporate hypocrisy: overcoming the threat of inconsistent corporate social responsibility perceptions. *Journal of Marketing* 73: 77-91.

Yoo B, Donthu N and Lee S (2000) An examination of selected marketing mix elements and brand equity. *Journal of the Academy of Marketing Science* 28: 195-211.

Zeithaml VA (1988) Consumer perceptions of Price, Quality and Value: A Means-End Model and Synthesis of Evidence *Journal of marketing* 52: 2-22.