

Corporate Social Responsibility and Product Evaluation: Moderating role of Brand familiarity

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ABSTRACT

This study examines (1) the relationship between Corporate Social Responsibility (CSR) and consumer product evaluation and; (2) moderating role of brand familiarity in the relationship between CSR and product evaluation. Using different levels of brand familiarity (high versus low) and CSR commitment (high versus low), a between-subjects-experimentation is carried out. The study shows that CSR has a positive impact on product evaluation and the positive CSR impact is greater for high familiarity brands than for low familiarity brands. The level of brand familiarity moderates the relationship between CSR and product evaluation. It is also revealed that the higher the CSR commitment and the brand familiarity the higher is the product evaluation.

Keywords: Corporate social responsibility, Brand familiarity, Product evaluation

INTRODUCTION

Corporate Social responsibility (CSR) relates to business firms taking responsibility of the impact of business activities on customers, employees, shareholders, communities and the environment. Over the past decade, to what extent that business firms need to take the social responsibilities of their actions (altruistic CSR vs. strategic CSR) and benefits of CSR to them have been long standing debates (Bhattacharya, Korschun, & Sen 2009 ; Du, Bhattacharya, & Sen 2007 ; Friedman 1970 ; Waddock & Smith 2000). The recent Gulf of Mexico oil spill that is considered the worst environmental disaster has sparked off the intensive debates again. It has become essential for business firms to be concerned about CSR.

Some argue that there is a positive association between CSR and brand and product evaluations (Brown & Dacin 1997 ; Handelman & Arnold 1999 ; Sen & Bhattacharya 2001). CSR has a '*spill over*' or '*halo effect*' on consumer product evaluations (Klein & Dawar 2004). Therefore, business firms focusing on CSR may achieve favourable outcomes. There are factors, however, that may moderate the favourable outcomes of CSR. Furthermore, when brand familiarity is high CSR has no effect on product evaluation (Guido, Cees, & Gerrit 2005). However, it is doubtful whether a high level of brand familiarity could *rescue* business firms when signs of their irresponsible business

actions become apparent (for example, Gulf of Mexico oil spill-BP, Alaska Oil Spill-Exxon Valdez, problems of accelerator pedal mechanisms-Toyota). Based on this back ground, the current study examines the moderating role of brand familiarity in the impact of CSR on product evaluation.

The paper is organised in four major sections. First section is the introduction of the study. Second section, literature review, consists of two sub-sections that discuss the relationship between CSR and product evaluations and CSR and brand familiarity respectively. Third section presents the method of the study followed by discussion and findings in the final section.

LITERATURE REVIEW

Research findings on the relationship between CSR and business performance are not consistent. There is a positive association between CSR and profits (Balabanis, Philips, & Lyall 1998 ; Holliday, Schmidheniny, & Watts 2002 ; Perera & Hewege 2007a ; Porter & Linde 1995). On the contrary, others found conflicting evidence in relation to CSR impact on business performance (Margolis & Walsh 2001 ; Mcwilliams & Siegel 2001 ; Piacentini, Macfadyen, & Eadie 2000). Three issues can be recognized in relation to these contradictory research findings. First, CSR is a vague concept. Therefore, defects in CSR definitions, theories and, methodologies used in CSR studies are problematic (Abigail, Donald, & Patrick 2006 ; Husted 2000). Second, there are problems in the assessment of CSR effectiveness due to the abstract nature of its outcomes that are generally determined by the factors such as corporate image, reputation, public relations, goodwill and, value of employee morale (Miller & Ahrens 1993). Third, there is a lack of focus in CSR research on the factors which moderate the relationship between CSR and its outcomes. Research that focuses on those moderating factors will be useful resolving the issues mentioned above. There are, however, relatively few research that focused on the moderating factors of the relationship between CSR and its outcomes (Ellem , Lois , & Deborach 2000 ; Klein & Dawar 2004 ; Luo & Bhattacharya 2006 ; Meijer & Schuyt 2005 ; Sen & Bhattacharya 2001).

The key moderating factors of consumer favourable responses to CSR can be divided into two groups: company-specific factors (e.g. the CSR domain, product quality etc.) and individual-specific factors

(e.g. CSR support and CSR-related benefits) (Sen & Bhattacharya 2001). The company specific factors are corporate associations which combine corporate abilities with CSR (Brown & Dacin 1997). The impact of corporate abilities and CSR on consumer favourable reactions was found to be determined by branding strategies of business firms (Guido, et al. 2005). The studies that focused on the impact of the two variables (role of brand familiarity and CSR) on consumer reactions used the two variables independently from each other (i.e, Prabu, Susan, & Yang 2005). Even though it was found that CSR has a spillover effect on consumer product evaluations (Klein & Dawar 2004) , when the corporate brand is dominantly visible, CSR does not appear to have any effect on product evaluation (Guido, et al. 2005). The current study revisits the contradictory research findings and focuses on: (1) the relationship between CSR and product evaluation and, (2) the impact of moderating effect of brand familiarity on the relationship between CSR and product evaluation.

Corporate Social Responsibility and Product Evaluation

Carroll (1996) defined CSR based on society expectations of business firms. A society expects business firms to fulfil economic, legal, ethical and discretionary responsibilities. Economic performance (economic responsibility) is the foundation of the rest of the three responsibilities: business firms are expected to obey the law (legal responsibility), to do what is right, and fair (ethical responsibility), and to be good corporate citizens (philanthropic responsibility). Regarded as the foundation of CSR, economic responsibilities also emphasize the strategic role of CSR. Strategic CSR is a synergistic use of business firms' core competencies and resources that address key stakeholders' expectations (Carroll 2001 ; Key & Popkin 1998 ; Mcalister & Ferrell 2002). Thus, expenditure on strategic CSR activities has often been seen as an investment in the 'goodwill bank' which yields financial returns (McWilliams & Siegel 2001 ; Sirsly & Lamertz 2007 ; Vaughn 1999).

Nevertheless, some argue that CSR often takes a form of philanthropic orientation of business firms and this creates moral dilemma for responsible business managers in fulfilling shareholders' expectations (Freeman 2001 ; Lantos 2001 ; Meehan, Meehan, & Richards 2006). It can also be noted that there is no clear guideline for CSR practice of business firms. It was, however, evident that CSR creates a favourable impression that boosts a business firm's reputation among consumers (Berens, Cees, & Gerrit 2005 ; Brown & Dacin 1997 ; Gurhan-Canli, Zeynep, & Rajeev 2004 ; Sen &

Bhattacharya 2001). Even though Aaker (1996) stated that CSR association is one of the elements of overall corporate associations and therefore, it is distinct from attribute level information on products, Klein and Dawar (2004) found that CSR plays a significant role in consumers' brand and product evaluations.

Product attributes generally guide consumers to evaluate a product in terms of its quality and value. Consumers are, however, likely to use information beyond product attributes when the existing information is insufficient to make a purchase decision (Feldman & Lynch 1988). And, studies revealed that CSR associations have a spillover effect on product and brand evaluations (Klein & Dawar 2004 ; Zeynep & Batra 2004). Therefore, it is important to explore the factors that determine positive relationship between CSR and product evaluation. Research argues that CSR is becoming an important attribute among other conventional product attributes. When price and quality are perceived as equal, many customers tend to favour products from socially responsible business firms (Bronn & Vrioni 2001). Accordingly, the following hypothesis is suggested:

Hypothesis1. There is a positive relationship between the degree of CSR commitment and the level of consumer product evaluation.

Brand Familiarity and product evaluation

Brand familiarity was recognized as a uni-dimensional construct directly related to the amount of time a consumer spends in processing information about a brand, regardless of the type or content of processing involved (Baker, Hutchinson, Moore, & Nedungadi 1986). Brand familiarity reduces the need for extensive information search so that a consumer tends to spend less time shopping for a familiar brand than they do for an unfamiliar one (Biswas 1992 ; Hoch & Deighton 1989). Recent research, however, noted that spending a lot of time in searching for information about a particular product can lead a consumer to form a deep brand impression (Ha & Perks 2005).

'Familiarity' is also considered an umbrella term related to other important constructs including consumer expertise, prior knowledge and strength of belief (Ha & Perks 2005). A high level of familiarity with a brand may produce feelings of greater satisfaction or trust, unless the consumer has a negative perception of that brand. Brand related experiences usually increase brand familiarity. Accordingly, brand familiarity captures brand knowledge structures and associations that exist within

a consumer's memory. Therefore, a familiar brand differs from an unfamiliar brand in terms of the brand knowledge that a consumer holds in his memory (Campbell , Gulas, & Gruca 1999).

Branding is an significant influence of the mechanism through which CSR influences consumer product evaluations (Guido, et al. 2005). Corporate brands often evoke associations with CSR (Aaker 1996) and good corporate citizenship restores consumer confidence and builds trust in business firms and their brands (Anand 2002 ; Hein 2002).Therefore, there can be an interactive effect between brand familiarity and CSR. A study on ethical and social responsibility issues in grocery shopping found that conventional product attributes (brand, image ,convenience, price) are still remain dominant in product evaluation even among ethically and socially concerned shoppers (Memery, Megicks, & Williams 2005). This increases the importance of exploring factors that moderate the relationship between CSR and product evaluation. Even though it was found that consumer familiarity with brands as well as their familiarity with CSR practices of business firms have a significant effect on purchase intentions (Prabu, et al. 2005), the interacting effect of brand familiarity and CSR seem to be received a less attention from the previous studies. Thus, two hypotheses are suggested:

Hypothesis 2 There is an interaction between CSR and brand familiarity

Hypothesis 2a The level of brand familiarity moderates the relationship between CSR and product evaluation

The conceptual model of the study explaining the relationships among the variables is shown in the following figure 1.The figure shows that there is a relationship between CSR and product evaluation, and brand familiarity. Brand familiarity moderates the relationship between CSR and product evaluation.

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(Figure 1)
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METHOD

The purpose of the study is to examine the effects of CSR on consumer product evaluations and the impact of moderating role of brand familiarity in the relationships between CSR and product

evaluation. In line with similar CSR studies (Klein & Dawar 2004), the current study employed an experimental design to examine the phenomenon.

Design and Experimental Manipulation

The experiment was a 2X2 factorial design, using two levels of brand familiarity (BF vs. NOBF) and two levels of CSR information (CSR vs. NOCSR) as the factors. The design consisted of two between-subject conditions (CSR/NOCSR, BF/NOBF) and a control condition in which no information about CSR or Brand was provided. The figure 2 depicts the four conditions of the experimental manipulations.

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(Figure 2)

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At the outset, all respondents, subjects were provided with general, background information sheet followed by a presentation about the study. The background information sheet starts with the following description:

The following information is about a real, well-known company involved in the business of consumer electronics for decades. For the purposes of this study the company is called Xyz Company and the product is called Xyz TV.

Stimuli

Audio-visual presentations of the stimuli of both brand and CSR information were done followed by the distribution of information leaflets. In order to confirm equivalency of treatments, name of the selected business firm and the brand name were concealed and there was no difference across the subject groups regarding CSR or brand familiarity. However, the information used in the presentations was derived from actual business settings in order to make the treatments closer to real business information. Furthermore, initial measures were taken to control the impact of product familiarity on final responses.

Subjects and Procedure

Subjects (N=240) were undergraduates of the University of Sri Jayewardenepura, Sri Lanka and they were paid an honorarium for participation. The subjects consisted of 32% of males and 68% of females. Initially, all subjects (N=240) were given a basic understanding of CSR, the product/brand in general, and the basic information of the study. Next, subjects were randomly assigned to one of the experimental conditions (N=60). A classroom setting was used to reduce subject mortality. Stimuli of BF and CSR information were given for 20 minutes each. Except the control group all the subjects answered a final questionnaire after respective treatments (CSR/NOCSR, BF/NOBF). The control group answered a final questionnaire without having manipulative treatments.

Measures

CSR and BF were the independent measures of the study while product evaluation was the dependent variable. In this study, CSR is defined as a firm's conscious initiatives and commitments for maximizing the best interests of its stakeholders within the core business boundaries. The model of CSR (philanthropic, ethical, legal and economic responsibilities (Carroll 1996 ; 1999 ; 2000) is used as a basic guiding tool to derive dimensions that measure CSR. Furthermore, a previous study on CSR in business firms carried out in Sri Lanka (Hewege 2003) aided in the design of the question, which measured the construct of CSR by using 12 dimensions based on economic, legal, ethical and philanthropic responsibilities of a firm. All items were measured using the 5-point Lickert Scale (5 = strongly agree and Reliability Coefficient = 0.93).

Brand familiarity was defined as the cumulative effect of knowledge of a particular brand which is accumulated through consumer experiences and therefore, brand familiarity can be measured through consumer experiences in relation to brands (Alba & Hutchinson 1987 ; Baker, et al. 1986). Based on previous studies, brand familiarity is measured in terms of seven dimensions; brand name recognition, brand awareness, brand knowledge, customer satisfaction, buying intention, repetition of buying the brand, and brand recall ability (Reliability Coefficient = 0.58).

Product attributes have a significant impact on product evaluation. In this study, product evaluation is defined as customers’ overall estimation of a product in terms of its attributes. The selected product is a television. Therefore, product attributes: product quality, durability, product features, energy consumption, value for money and, environmentally-friendly credentials were the six dimensions of product evaluation that were measured by using a semantic differential scale (five-point bi-polar adjective scale and Reliability Coefficient = 0.85).

Results

A preliminary analysis was carried out to ensure homogeneity of respondents in terms of product familiarity. Independent sample T-tests for equality of product familiarity revealed that there were no significant difference of product familiarity between CSR and BF groups ($F=0.768, p=0.383$) and, between the CSR/BF and control group ($F=0.504, p=0.479$). Homogeneity of product familiarity of the groups was shown and the impact of product familiarity on final responses was controlled.

A one-way ANOVA was conducted in order to investigate the effect of CSR on product evaluation. Hypothesis1 suggests that there is a positive relationship between the degree of CSR commitment and the level of consumer product evaluation. Firstly, the ANOVA showed (Table 1) a significant effect of CSR on consumer product evaluation ($F_{18,221}= 7.36, p=0.00$).

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(Table 1)

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Secondly, this was further tested by use of an independent sample T test for equality of means for product evaluation in CSR groups (CSR group and CSR/BF group) and Non CSR groups (Control group and BF group). The Probability of F value is reported as less than 0.001 ($F_{238,237.08}=3.85$), which means there is a significant difference between the two groups (CSR groups and non CSR groups) in product evaluation. This can be interpreted as consumers’ products evaluations of business firms that

engage in CSR practices are higher than that of non CSR business firms. Thus, H_1 was supported. This can also be seen in figure 3 which shows that product evaluation is higher in CSR groups than non CSR groups.

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(Figure 3)

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Hypothesis 2 suggests that there is an interaction between CSR and brand familiarity. And, Hypothesis 2a suggests that the level of brand familiarity moderates the relationship between CSR and product evaluation. This in turn influences on the relationship between CSR and product evaluation (Hypothesis 1). To analyse this interaction, the effects of two treatments, CSR and brand familiarity were given simultaneously. This two-way ANOVA tests the effects not only of both treatments in the same test but also whether there is an interaction between the treatments. Table 2 shows the two-way ANOVA table.

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(Insert Table 2 hear)

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A significant main effect was obtained for CSR, $F_{32,103} = 3.672$, $p < 0.001$ and for brand familiarity, $F_{19,103} = 2.274$, $p < 0.05$. Furthermore, there is a significant interaction between CSR and brand familiarity, $F_{84,103} = 1.770$, $p < 0.05$. Thus, hypothesis 2 was supported. To test this relationship further, the two groups which featured in the CSR treatment, the CSR group and the CSR/BF group, were put forward for independent sample analysis to test whether there was a significant difference between the groups. The mean product evaluation was 22.50 and 25.47 for the CSR and CSR/BF group respectively. It was revealed that there is a significant difference between the CSR and CSR/BF groups regarding product evaluation ($F_{118,99.5} = 15.132$, $p = 0.01$). Thus, hypothesis 2a is supported.

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(Figure 4)

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Figure 4 depicts the different product evaluations by respondents at different levels of brand familiarity. Both the control (18.68) and CSR (22.5) groups can be considered low brand familiarity groups, as they were not exposed to brand information. The other groups, BF (23.23) and CSR/BF (25.47), were given brand information before they evaluate the product. As is shown in the figure, the high brand familiarity group evaluated the product higher than the low brand familiarity group. The group which was given both treatments of CSR and BF (CSR/BF) gave the highest evaluation to the product (25.47). One of the low brand familiarity groups (CSR group) was given the CSR treatment only. However, this group evaluated the product higher than the control group (22.50).

DISCUSSION AND FINDINGS

The study found that CSR has a positive effect on product evaluation. As it was shown in the one-way ANOVA analysis there is a significant difference in the levels of the product evaluation between CSR group and control group. This shows the positive effect of CSR on product evaluation. This finding also supports previous research findings which revealed that CSR plays a significant role in consumer decision making (Berens, et al. 2005 ; Bronn & Vrioni 2001 ; Brown & Dacin 1997 ; Feldman & Lynch 1988 ; Gurhan-Canli, et al. 2004 ; Klein & Dawar 2004 ; Sen & Bhattacharya 2001). Consumers tend to evaluate products positively when a business firm engages in CSR. Therefore, business firms are encouraged to take CSR initiatives. Considering CSR as a strategic investment of a business firm resolves managers' moral dilemmas in maximizing shareholders' value (Freeman 2001 ; Lantos 2001 ; Meehan, et al. 2006).

It should be noted that maintaining transparency of a firm's CSR initiatives and communicating its CSR commitment to consumers are essential in gaining positive product evaluations through CSR. In the current study, the respondents evaluated the product after receiving the information of the firm's

CSR involvement was given. Therefore, as it has been recommended by previous studies (Asher 1991), a firm's conscious effort in communicating its CSR commitment to consumers is essential.

Kelin and Dawar (2004) revealed that CSR has a *spillover* or '*halo* effect' on consumer product decisions. However, firms cannot invest in CSR unconsciously and with no formal mechanism to achieve favourable CSR outcomes. This study also sheds light on this *spillover* effect, which is illustrated in the two-way ANOVA test. This shows that CSR and brand familiarity have an interaction effect on product evaluation. After being given both treatments (brand familiarity and CSR), the third group (CSR/BF) gave the highest product evaluation. The product evaluation level of the CSR/BF group is higher than all other groups (CSR, BF and Control groups). This leads us to the second finding of the study, which is that the relationship between CSR and product evaluation moderated by the level of brand familiarity. In other words, regardless of whether a firm engages in CSR, the positive outcomes of such initiatives in terms of consumer responses depend on familiarity of its brands among consumers. The higher brand familiarity enhances the positive effect of CSR on product evaluation. The *spillover* effect of CSR is that the more a firm engages in CSR, the more its product and brands are positively evaluated by consumers. As it is shown in figure 3, product evaluation of low familiarity brands has uplifted by CSR. A relatively higher level of product evaluation is shown for low brand familiarity products of firms that engaged in CSR than that of non CSR firms.

This study shows that the *spillover* effect of CSR on product evaluation (Klein & Dawar 2004) is moderated by the level of brand familiarity. A high level of brand familiarity increases the spillover effect of CSR on product evaluations. Studies that used the concept of brand familiarity in investigating the impact of CSR on product evaluation did not totally explore the relationship between CSR and brand familiarity (i.e, Prabu, et al. 2005). By exploring such a relationship, this study argues that CSR should be considered an important element in strategic decision making (Perera & Hewege 2007b).

Limitations and Future Research

Generalizability is one the limitations inherent to experimental, student sample based studies. This can be overcome by a future study of a field experiment or consumer survey exploring the effects CSR initiatives on product evaluations. This will achieve a higher external validity. Efforts were made to ensure that the brand and company details were appropriate to the student sample. The findings are constrained by the disguised brand and CSR information that were used in this study. Actual brand and CSR information may produce better results. Respondents' evaluation of the three variables of the study (CSR, Brand Familiarity and product evaluation) is limited to the information provided. Specifically, the treatment of brand familiarity may require a more extensive mechanism than the method used in this study. Relatively low Cronbach alpha indicates multidimensionality of the construct of brand familiarity. A future study can resolve this issue by consulting previous studies which measured brand familiarity as a multidimensional construct (i.e, Chatterjee & Desarbo 1992 ; Desarbo, Chatterjee, & Kim 1994 ; Ha & Perks 2005 ; Keller & David 1998).

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Figure 1 Conceptual framework

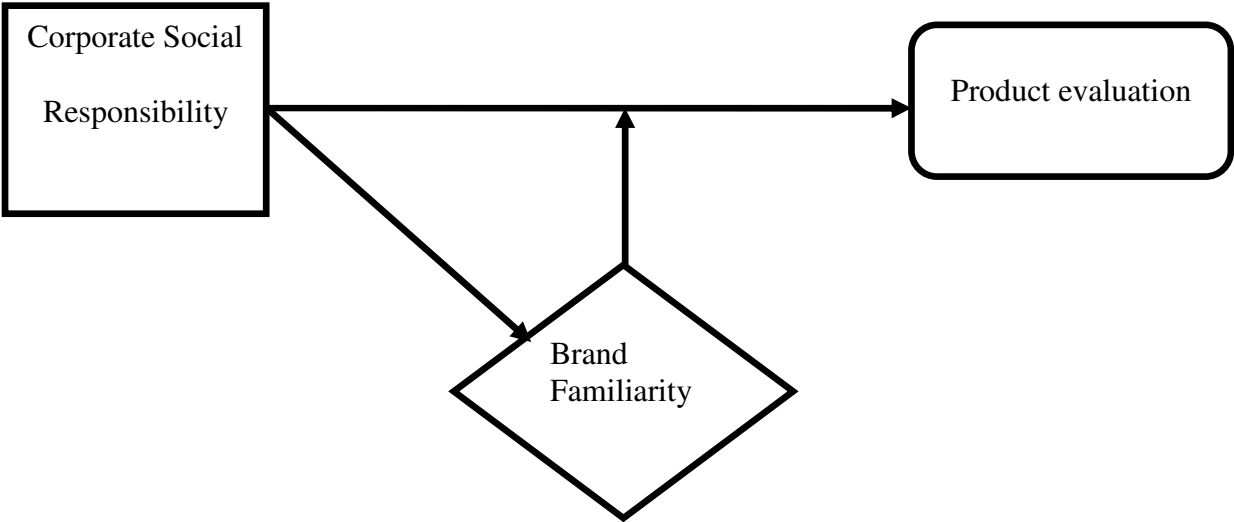


Figure 2 Four experimental manipulations

	No brand familiarity treatment	Brand familiarity treatment
No CSR treatment	CONTROL GROUP	BF/NO CSR GROUP
CSR treatment	CSR/NO BF GROUP	BF/CSR GROUP

Figure 3 The relationship between CSR and Product evaluation

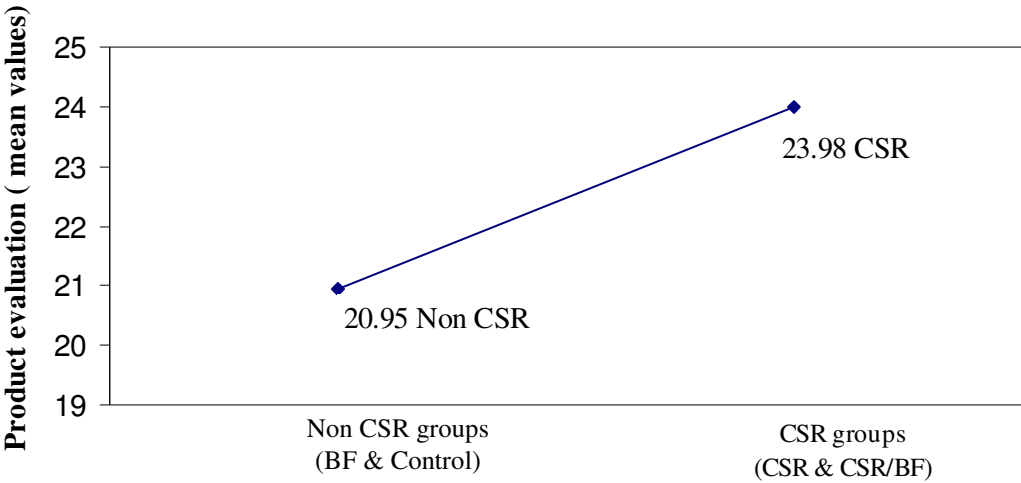
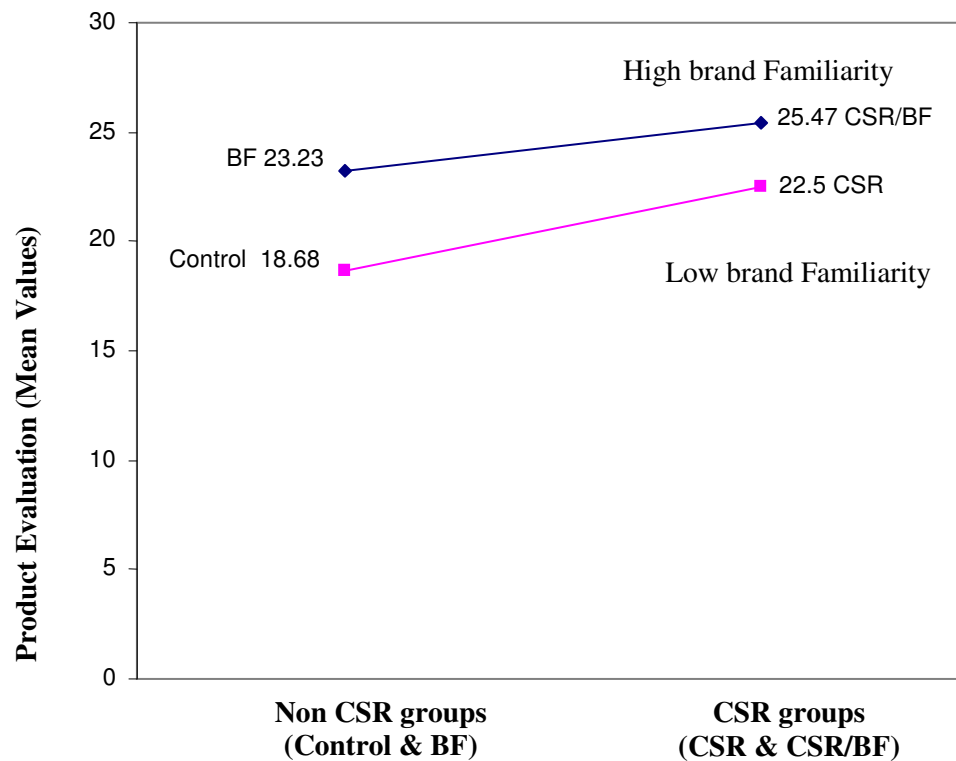


Figure 4 Product evaluation at different levels of brand familiarity**Table 1. One-way ANOVA: Product Evaluation**

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	6960.191	18	386.677	7.364	.000
Within Groups	11603.742	221	52.506		
Total	18563.933	239			

Table 2. Tests of Between-Subjects Effects – Two-way ANOVA**Dependent Variable: Product Evaluation**

Source	Type III Sum of Squares	Df	Mean Square	F	Sig.
Corrected Model	2938.915(a)	136	21.610	3.250	.000
Intercept	41426.575	1	41426.575	6230.188	.000
CSR	781.422	32	24.419	3.672	.000
BF	287.303	19	15.121	2.274	.005
CSR * BF	988.732	84	11.771	1.770	.003
Error	684.881	103	6.649		
Total	124809.000	240			
Corrected Total	3623.796	239			

a R Squared = .811 (Adjusted R Squared = .561)