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Consumer response to corporate social responsibility initiatives: an investigation of two necessary awareness states

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Consumer response to corporate social responsibility initiatives: An investigation of two necessary awareness states

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Abstract

Consumers increasingly expect companies to make a broader contribution to society. The business benefits of doing so, however, are currently not evident. Prior studies conclude that consumers' purchase decisions are positively influenced by socially responsible initiatives. However, this insight appears to be of little practical relevance if the level of awareness of such initiatives among consumers is very low. McWilliams and Siegel (2001) emphasise that if CSR is to act as a point of differentiation, awareness of a firm's CSR activities is crucial. We empirically test this awareness level. In doing so we respond to Maignan's (2001) call for research to determine the extent to which consumers are aware of CSR activities businesses engage in. We also determine the extent to which consumers are aware of the social issues firms engage with their CSR programs, a critical antecedent to making sense of firms' CSR-related claims.

Introduction

Corporate social responsibility (CSR) may be defined as "the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life" (World Business Council for Sustainable Development, 2004). One broad framework used to categorise CSR initiatives includes actions under the domains of employee relations and diversity programs, ethical materials sourcing, product design, marketing programs, the environment, human rights, and corporate governance (Kinder, Lydenberg, Domini & Co. Inc., 2006).

Marketplace polls (e.g. Dawkins, 2003) and academic research (e.g. Sen & Bhattacharya, 2001) suggest consumers increasingly expect business to go beyond delivering economic outcomes and also contribute to society's welfare and sustainability by being socially-responsible, and will support them if they do so. It is therefore thought that pro-social marketing initiatives, such as CSR claims, can become a market differentiating strategy (McWilliams & Siegel, 2001), build brand equity (Hoeffler & Keller, 2002), and lead to customer loyalty and other positive post-purchase outcomes (Bhattacharya and Sen, 2003).

It has been shown, experimentally, that consumer knowledge of a firm's CSR initiatives may lead to a higher evaluation of the company and a more positive evaluation of the company's product (Brown & Dacin, 1997). The true level of consumer awareness of such initiatives is uncertain, however, and may be quite low (for example, Auger et al., 2003). Maignan (2001) has called for more research to investigate consumers' true level of awareness of firms' CSR records.

Prior to consumers considering a firm's CSR initiatives in their purchase decision-making, they must be aware of those initiatives (e.g. Maignan & Ferrell, 2001;

McWilliams and Siegel, 2001; Mohr, Webb, & Harris, 2001; Smith, 2000). But consumers must also be aware of the social issue(s) the firm is engaging in (Maignan, 2001). Sen and Bhattacharya (2001) found consumers' personal support, and obviously awareness, for a CSR domain to be a key determinant of their sensitivity to a company's CSR efforts. Bhattacharya and Sen (2004, p.14) that there are nonetheless companies that have "excelled in positioned themselves on the CSR platform."

Informed consumers are antecedent to support for socially responsible firms; information is one of the basic inputs of rational choice (Schuler & Cording, 2006). Increasing levels of information can lead to increasingly efficient consumer perceptions of product quality and purchasing preferences (e.g. Sproles et al., 1978), while a lack of perfect information hinders the reflection of social demands in individuals' economic decisions (Valor, 2005). Kotler et al. (2006, p. 257) advise that when dealing with complex buying behaviour marketers need to "help buyers learn about product-class attributes and their relative importance." Auger et al. (2003) suggest consumers may act very differently once the right sort of information is provided, but there is conjecture over whether consumers can adequately cope with the current information demands in the marketplace.

Drumwright (1996) observes that when a social dimension is added to the consumer's message-processing task, the task becomes more complex. It has been suggested that consumers have become increasingly sophisticated, able to process such messages as increased access to product-related information, the structural characteristics of the marketplace, and changes in the social environment have made them more knowledgeable about market offerings (King and Mackinnon, 2001). Others (e.g. Day and Aaker, 1997; Titus and Bradford, 1996) argue that the vastly increased number of products, and the misleading, deceptive, and generally uninformative aspects of advertising and packaging may have in fact reduced consumer sophistication and information coping ability.

In past studies of consumers' responses to firms' CSR initiatives, awareness has been either assumed to be present or created under experimental conditions (e.g. Mohr, Webb, and Harris, 2001; Maignan & Ferrell, 2001). But Auger et al. (2003, p.299) observe that "most consumers do not understand the ethical dimensions of the products that they purchase."

In a Danish study, Schultz and Morsing (2003) found the use of CSR engagement for marketing communication purposes distasteful to some consumers, even though, ironically, consumers may not otherwise possess any detailed knowledge about a firm's CSR activities. Drumwright (1997, p.71) suggests that "company advertisements with social dimension have been among the most controversial of marketing approaches," seen on the one hand as "marketing's greatest contribution to society," while on the other, "as marketing's most unabashed exploitation." Highlighting the risks of such perceived exploitation, Morsing (2006, p.176) reports that despite the Danish telecom giant TDC's repositioning from a high-profit, shareholder driven company to a more socially-responsible organisation, with an extensively communicated CEO-endorsed CSR commitment and several CSR initiatives, TDC's CSR message has been "met with scepticism, disbelief, and accusations of window-dressing." How consumers are to become aware of firms' CSR programs is both significant and complex. How they are also to become aware of the myriad social issues that firms engage with is also not trivial.

In this paper we investigate the assumption of Auger et al. (2003) that the level of awareness of such initiatives among consumers is very low. In doing so we respond to Maignan's (2001) call for research to determine the extent to which consumers are aware of CSR activities businesses engage in. We undertake the study in the context of the Australian banking sector. We also investigate the level of awareness of the social issues banks engage with in their CSR programs.

Methodology

We examine these questions in the context of the Australian banking sector, chosen because (1) it represents the single-most active business sector with respect to CSR, illustrated by the fact that Westpac has dominated Australia's annual Corporate Responsibility Index since its introduction in 2003. Other banks now imitate Westpac's positioning approach. (2) For the consumer, banking is a high-involvement service, characterised by being important to the consumer, risky, and infrequently purchased. As a consequence, consumers engage in complex buying behaviour (Kotler et al., 2006). Investigating a high-involvement category is important because consumers process information actively before making a purchase decision. In a low-involvement case, cognitive processing is minimal, and therefore CSR should have little (if any) effect on purchase decisions. (3) The consumer has an ongoing relationship with their bank. Consequently, the bank has considerable potential for customer contact and marketing communications via numerous high-contact (Lovelock, Patterson and Walker 2004) 'touch points', including customer interactions with bank staff in retail branches, and lower-contact interactions via Internet banking, automatic teller machines and account correspondence. (4) The Australian banking sector has experienced considerable consumer disaffection over the past decade, due to unpopular operational practices, such as the introduction of fees and the closure of retail branches in rural areas (Kohler, 2003).

Given banking service consumers' expressed attitudes to firms' social responsibilities, desire for information, and willingness to support more socially-responsible firms, it is expected that consumers will be aware of banks' CSR performances.

A permission-based online-panel survey, conducted by a commercial research-services provider, was used to collect the data for this study. Panel members were randomly selected from the database, which is representative of the Australian adult population based on basic Australian Bureau of Statistics socio-demographic profiles, and invited to participate in the study. A total of 415 consumers completed the survey.

The questionnaire contained a number of questions aimed at understanding the level of their awareness of CSR initiatives:

1. **General familiarity.** Respondents were asked to indicate their general level of familiarity with the product-related characteristics and social initiatives of their brand using a seven-point scale, anchored at "not very familiar" and "very familiar.
2. **Verbal CSR stimuli.** We developed a list of actual social initiatives that Australian banks are currently involved in. This was done by studying the bank web-pages as well as through interviews with a representative of each bank who is responsible for CSR. One example for such a list item is "Partner with Good Shepherd Youth & Family Services." Respondents were asked to assign each

initiative to a bank or to state that they were unsure which bank was engaging in this initiative.

3. **Graphical CSR stimuli.** We repeated the same question structure a second time, this time using graphical stimuli rather than verbalised descriptions of the initiatives. This approach is particularly meaningful since the community-cause partners' logos typically appear on the banks' communication media, such as their internet sites, correspondence, and other marketing communications.

But as consumers also need to have an appreciation of the social issues engaged with in firms' CSR programs, we also investigated this awareness level.

4. **Awareness of social issues.** We presented respondents with a list of 12 social issues which appeared on bank web pages in relation to their CSR initiatives. Respondents indicated their level of awareness of each issue on a seven-point scale, anchored at "very low" and "very high." The issues included: general employment conditions; the environment; corporate funding for the arts; national social problems; ethical business practices; the financial skills of indigenous Australians; the work of different charities: corporate funding for sport; executive pay levels in public companies; ethical supply chain sourcing; educational problems of the financially disadvantaged; and local community social problems.

Results

General familiarity

Respondents reported significantly higher awareness of their bank's financial activities than its pro-social performance (Chi-square 183, 36 df, $p < 0.001$). Those reporting being "familiar" to "very familiar" with their bank's financial activities made up 39 percent of respondents, while those reporting the same degree of familiarity of their bank's social activities accounted for only 12 percent of respondents. Only seven percent of participants answered "yes" to being familiar with any initiative(s) their (main) bank was involved in aimed at improving social or environmental conditions in their community. These results support Auger et al.'s (2003) statement that while consumers are confident in their knowledge about the functional features of the products they buy, they are quite poor at recalling the most basic attributes of the same products.

Verbal CSR stimuli

In matching a variety of social-partner organisations and CSR achievements with different banks, using written examples of CSR initiatives, general awareness was low, with the percentage of respondents answering "unsure" ranging from 54 percent to 91 percent, and the percentage of those making a correct match ranging from only two percent to 13 percent. The bank supporting Cricket Australia was most familiar, while least was the bank providing funding to small rural communities, a somewhat surprising result as the bank had recently featured its funding in its marketing communications, including a national television advertising campaign.

Graphical CSR stimuli

With the exception of the logo for the well-publicised C*are Flight* helicopter (84 percent correct match), general awareness in matching the logos was also low, with those answering "unsure" ranging from 74 per cent to 93 per cent. The second highest

correct linkage was a distant 12 percent, for those able to recall the bank sponsoring the much-publicised Australian of the Year awards. The generally low levels of familiarity of the banks' community partner organisations' logos is somewhat surprising given our intuitive expectation that visual recall would be quite strong. Bank customers could be expected to notice visual images, such as these logos, since they feature on a variety of the banks' different marketing communications media, for example, websites, correspondence, advertising, and point-of-sale material.

Awareness of social issues

Consumers generally report a low level of awareness. The percentage of respondents reporting a "very high awareness" of the 12 social issues taken from banks' websites fell between one and nine percent. The highest number of respondents felt familiar with environmental issues. This is perhaps not surprising given the emphasis given to green issues over the past several decades, including the work of organisations such as Greenpeace and more recent discussions about the climatic effects of global warming. In contrast, those reporting a "very low awareness" were between eight and 34 percent of respondents, with corporate funding of the arts being the least familiar social issue. While there may be various explanations for this result, though corporations often publicise their support in this domain the specific details of such support are not commonly included.

Conclusions

The aim of our study was to examine the level of awareness of CSR initiatives Australian banks are engaged in as well as the awareness of the social issues underlying these initiatives. Results indicate that both the awareness of social initiatives banks are engaged in and awareness of the underlying social issues of these CSR initiatives are low. Not only was there low awareness of the specific CSR initiatives of individual brands, general consumer awareness of any initiative(s) their bank was involved in aimed at improving social or environmental conditions in their community was also quite low.

Discussion

These findings are theoretically relevant because awareness is expected to form the basis of any change in purchase behaviour because of CSR. Prior research, rather then empirically assessing the level of awareness, has generally either assumed or experimentally created brand CSR performance. With awareness being so fundamental to the effect of CSR on consumers purchase behaviour, both assuming it and artificially creating it raises the question of how valid such prior findings about the effects of CSR initiatives on consumers actually are. We propose two directions of future research. First, it would be interesting to conduct replication studies assessing the awareness in other product categories. Second, it would be important to conduct studies into the influence of CSR activities on purchase behaviour in real markets in which the actual awareness level of such initiatives can be empirically determined rather than assumed or artificially created, thus increasing the validity of findings. It would also be useful to explore whether consumers' perceptual screens are excluding banks' CSR communications. Open-ended comments, from our research, suggest scepticism may play a role in reducing banks' brand credibility, including their CSR credibility.

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