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# Communicating Responsible Luxury Brand:

# The Role of Luxury-CSR Fit and Dispositional Consensus on Brand Evaluation\*

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# **Abstract**

**Purpose** – This study attempts to extend the research in responsible luxury by identifying contexts where Corporate Social Responsibility (CSR) can promote luxury brands' evaluation. It contributes to the literature on consumer responses to CSR, and to responsible luxury in particular and demonstrates how dispositional consensus and luxury-CSR information of luxury brands affects consumers' evaluation of brand.

Research design, data, and methodology – An experiment was conducted to test the relationship between brand evaluation and responsible luxury brands' CSR information using collected data through a survey in a large university of South Korea. Study conditions were manipulated with various product types to analyze the relationship in different product domains.

Results - When consensus regarding sincere and altruistic motive of companies for CSR activity is high, the perceived fit between luxury brand and the type of CSR has no effect on brand evaluation. But, in case of lower consensus regarding the benevolent company motives, higher fit enhances evaluation than lower fit.

Conclusions – In using consensus as a guiding factor to choose the type of charity with favorably view, the level of irrespective fit can help luxury firms to enjoy the benefits of better image. In case of low consensus donating to charities that are closely related to the brands' product or area of business seems to be fruitful.

Keywords: Luxury Brand, CSR, Evaluation, Dispositional Consensus, Perceived Fit.

JEL Classifications: M31, M37, M14, C91.

#### 1. Introduction

It is evident that Corporate Social Responsibility (CSR) creates a favorable impression that boosts business firm's reputation among consumers (Su, Jeong, Choi, & Kim, 2015; Berens, Cees, & Gerrit, 2005). A recent study revealed that

\* This study was supported by research fund from Chosun University(2016) and was revised and developed at the 2016 Global Marketing Conference in Hong Kong. CSR associations have a spillover effect on product evaluation and perceived product performance such that the product of companies viewed as socially responsible were perceived to be performing better (Chernev & Blair, 2015). CSR not only attenuates the risk of damage to brand evaluation in the event of product-harm crisis (Choi & La, 2013; Klien & Dawar, 2004) but also allows firms to differentiate themselves among competitors (Boulouta & Pitelis, 2014).

Given such positive outcomes of CSR association for brands and products, the relationship between luxury brands and CSR is not that straight forward. Specifically, it has been demonstrated that luxury brand conception are incompatible with CSR values (Torelli, Monga, & Kaikati, 2012). The sense of dominance and self-enhancement carried by luxury brands oppose to the welfare and community values engendered by CSR information. The incompatibility between opposing values causes disfluency

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and individuals exposed to luxury brands CSR information devaluate the brand. Disfluency, a result of motivational conflict triggered by simultaneous activation of selfenhancement and self-transcendence value caused decline in evaluation of luxury brand. Although the study demonstrates a strong evidence for incompatibility between luxury and CSR, it does so at an abstract level. On the contrary, in real-life, individuals are exposed to variety of information about brand and its activities which allows them to think in more cognitive and concrete terms. There are few studies that show contexts when luxury brands CSR activity positively influences product evaluation (e.g., Janssen, Vanhamme, Lindgreen, & Lefevre, 2014) as well as luxury perception (Hu & Rucker, 2013). Current research examines the role of dispositional consensus and CSR fit in the relationship between luxury brand's CSR information and brand evaluation. By employing corporate philanthropy as a type of CSR activity pursued by luxury brands, we explore the relationship between perceived fit, dispositional consensus and brand evaluation. First, we demonstrate that brand evaluation will be higher when there is a greater fit between luxury brands product and its CSR activity. Second, the effect of fit on evaluation is mediated by the perceived underlying altruistic motive of companies. Finally, we will show that the differential effect of fit on product evaluation holds only when the dispositional consensus regarding underlying altruistic motive of firms engaging in CSR is low. On the other hand, when people have high consensus that firms are driven by sincere motive for engaging in CSR, the fit between product and CSR activity does not matter.

# 2. Theoretical Background

It is well documented that CSR activities have various positive effects on business firms (Hahn & Kim, 2016; Chernev & Blair, 2015; Perera & Chaminda, 2013; Choi & La, 2013; Berens, Cees, & Gerrit, 2005; Klien & Dawar, 2004; Mcwilliams & Siegel, 2001). But such effect may vary depending on different factors such as fit between firms and CSR activity (Jong & Meer, 2015), congruence between customer belief and CSR of firms (Sen & Bhattarcharya, 2001), cause type (Vanhamme, Lindgreen, Reast, & Popering, 2012) and brand concepts (Torelli, Monga, & Kaikati, 2012).

Few studies examine the negative consequences of CSR. CSR information can induce skepticism among consumers (Skarmeas & Leoniduo, 2013) as well as develop a perception of hypocrisy (Fassin & Buelens, 2011). Especially in luxury domain, CSR related information has detrimental effects on product evaluation of luxury brands (Torelli et. al., 2012). In fact, the relationship between luxury and sustainability were found to be more contradictory for those who defined luxury as "expensive" or "rare", the determining

factors of luxury (Kapferer & Mischaut, 2015). Accordingly scholars have argued that luxury in itself is sustainable and socially responsible (Janssen, Vanhamme, Lindgreen, & Lefevre, 2014; Hennigs, Wiedmann, Klarmann, & Behrens, 2013). On the other hand, luxury brands are regularly criticized for not doing enough for the society and being stingy (Chun, 2016; Chung, 2012; Lee, 2012; Lee, 2011). Also there have been increasing arguments that luxury brands should include CSR in their strategy to gain advantage in the emerging luxury market (Stewart, 2010). Incorporating such contradictory and normative view of the relationship between CSR and luxury brand, the role of fit and dispositional consensus has hardly been examined to explore the impact of CSR information on luxury brand evaluation. We examine the effects of these two constructs on brand evaluation in luxury domain.

# 2.1. Dispositional Consensus regarding Company Motives and Brand Evaluation

According to the attribution theory (Weiner, 1972). individuals try to interpret why people do what they do, that is, examine the causes to an event or behavior. Researchers have demonstrated that consumers develop different attribution about the motives of companies for engaging in CSR (Lee et. al., 2009). Consumer perceptions of corporate motives for CSR influence their attitudes towards the company (Barone, Miyazaki, & Taylor, 2000). Companies can have various motivations for engaging in CSR but from the consumers point of view, perceived motive of firms are generally categorized as altruistic or self-interest (Wongpitch, Minakan, Powpaka, & Laohavichien, 2016). As the core idea of CSR is to protect environment and help society, individuals exposed to CSR information automatically attribute to what extent firms are genuinely interested in welfare of the society. Nan and Heo (2007) concluded that students were most likely to perceive companies CSR favorably after viewing advertisements with an embedded CSR message. On the contrary, according to the results of the survey conducted by Sobczak, Debucquet, and Havard (2006), students were skeptical towards companies CSR and had negative predisposition to disbelieve companies' altruistic motives. People can therefore, have general predisposition about the extent to which corporate firms are engaged in CSR for the purpose of helping the society. In this sense, dispositional consensus is the general belief held by consumers that firms are genuinely interested in the welfare of the society. It refers to the general predisposition held by consumers about the underlying altruistic motivation for engaging in CSR. Research focusing on the corporate motives of firms for engaging in CSR are equivocal in their findings that perceived altruistic motive results in positive attitude towards the firm (Wongpitch, Minakan, Powpaka, & Laohavichien, 2016; Lee et. al., 2009). When the underlying motives of firms are perceived to be self-interest-driven or strategy driven, people tend to view the brand less favorably and are skeptic about firm motives. Accordingly, if they possess a dispositional belief that companies engage in CSR to help the society with benevolent motive, it is imperative to deduce that individuals would have favorable attitude towards such brands and firms.

# 2.2. CSR-Brand Fit and Luxury Brand Evaluation

There are several studies which examine the role of CSR-brand fit on individuals' evaluation of brands and firms (e.g., Jong & Meer, 2015; Chernev & Blair, 2015; Han et. al., 2013; Kim, Sung, & Lee, 2012; Lafferty, 2007). Some studies suggest that a high CSR fit has a positive effect on CSR outcomes (Kuo & Rice, 2015; Ham & Han, 2012) while others report CSR fit does not have a significant role (Chernev & Blair, 2015; Lafferty, 2007). Some studies examine the role of contextual factors that determine the effect of the level of fit on positive outcomes. It has been demonstrated that higher fit between organizations and their CSR activities is beneficial only if the consumers are highly conscious about the brand (Nan & Heo, 2007). Perera and Chaminda (2013) find that the positive impact of CSR on product evaluation is greater for products with high brand familiarity. Consumers evaluate brands more favorably when there is a higher CSR-brand fit when they are well aware about the brand. This favorable contribution of greater fit can be explained by the perceived underlying sincerity and benevolent motives of the brand (Du, Bhattacharya, & Sen, 2010). As people already know about the brand the information about the brands involvement in socially responsible actions give them additional motivation to have positive attitude towards the brand. Luxury brands are generally associated with status signaling (Han, Nunes, & Drèze, 2010). In order to be considered as signaling status to the society, the brand has to be well known by the observers. This implies that luxury brands generally have high awareness. Also with increasing use of social media and highly globalized market, luxury brands enjoy high brand awareness. Accordingly when luxury brands perform CSR activities which resemble higher fit with the brand consumers would evaluate the brand more favorably. This argument is based on above discussed phenomenon of the effect of awareness and fit as well as the fact that in real world scenario, consumers get involved in a more cognitive thinking in associating behavior to attitude rather than making an inference at an abstract level.

# 3. Hypotheses

Luxury brands are characterized by aesthetic and hedonic appeals. With the increasing use of media and extensive advertising luxury brands are getting more global attention

and gaining more consciousness among consumers. Furthermore, due to the status signaling nature of luxury brands they enjoy higher brand consciousness that their non-luxury counterparts (Han, Nunes, & Drèze, 2010). Janssen, Vanhamme, Lindgreen and Lefevre (2014) demonstrated that higher the perceived luxury-CSR fit more positive was the attitude towards luxury product. In the same vein we argue that luxury brands will be evaluated more favorably when there is higher fit between luxury brand and its CSR activities.

<H1> Greater match between the luxury brand and CSR activities will result in favorable evaluation of the brand.

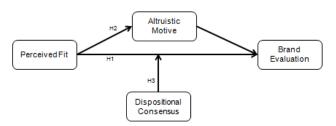
It has been well documented that higher fit reveals intrinsic motive of firms for engaging in CSR. We believe for luxury brand as well the same holds as luxury is associated with affluence, wealth and competence they also possess the ability to materialize their efforts. Higher fit with the cause demonstrates that they are utilizing their competence in the field which they have expertise. We posit that this competence further highlights the underlying altruistic motive of firms engaging in CSR in related domain and positively affects evaluation of luxury brands.

<H2> Underlying altruistic motive mediates the relationship between luxury-CSR fit and brand evaluation.

Dispositional consensus corresponds to the general belief individuals hold that CSR are directed towards the welfare of the society rather than driven by selfish or strategic motives. It is the degree to which consumers believe that firms are involved in CSR activities to sincerely help the society. When individuals have a higher dispositional consensus that companies perform CSR sincerely for welfare purpose, they are likely to favorably view the brand irrespective of the type of CSR activities.

Higher consensus regarding CSR can supersede the effect of fit or misfit, i.e., if individuals generally perceive activities of firms to be directed towards society, fit/misfit effect of CSR is eliminated. When consensus is low, i.e., individuals are skeptic about the CSR activities of firms; they base their judgment on other information (for example, fit). Hence, we argue that differential effect of fit on product evaluation holds only when the dispositional consensus regarding underlying altruistic motive of firms engaging in CSR is low. On the other hand, when people have higher consensus that firms are driven by sincere motive for engaging in CSR, the fit between product and CSR activity does not matter.

<H3> The effect of fit between luxury brand and CSR activities on evaluation will be moderated by dispositional consensus held by individuals regarding intrinsic motive of firms.



**Figure 1>** Conceptual Model with Hypothesized Relationships

# 4. Methodology

### 4.1. Participants and Procedure

An experiment was conducted to test the hypotheses. Three sets of questionnaire regarding luxury brands related to three product types, namely clothing, bags and sunglasses, were distributed to 242 business school students in a large university in South Korea. Using several product types enables us to determine if the product type has any differential effect. First participants rated their personal belief regarding the extent to which they viewed CSR activities were directed towards welfare of the society. Then they read a narration introducing "Sogno", a hypothetical luxury brand that made: clothing (total 88, 39 female), bags (total 77, 38 female) or sunglasses (total 77, 41 female); and its CSR activities. Average age of the respondents was 21 years. Using a hypothetical brand eliminates the confounding effects of respondents' prior knowledge about the brand. Participants were randomly assigned to luxury brand CSR fit/misfit condition for three products types (clothing, bags and sunglasses). Manipulation were operationalized by informing participants that "Sogno" was actively donating to their product related (unrelated) domain (Appendix 1). For example, respondents who viewed information about "Sogno" as a clothing brand were also told that "Sogno" was actively donating to charities that provide clothes for homeless (fit) or books (misfit). And following this manipulation, participants rated their responses on brand evaluation, perceived fit and the underlying altruistic motive of firms for engaging in CSR. All the questionnaire items were translated into Korean and narration was administered in Korean by second author.

# 4.2. Measures

# Dispositional Consensus

Dispositional Consensus, that is, the degree to which one believes that companies perform CSR to help the society was measured through one item. The respondents were asked to indicate on a seven-point scale the extent to which they agreed that corporate firms engage in CSR activities for welfare of the society with 1 representing not at all and 7

definitely agree.

#### Perceived Fit

To check if brand/cause fit was successfully manipulated, participants were asked to indicate their agreement with the statements related to perceived fit. They were asked to indicate to the extent to which they agreed that the CSR activity of the brand were similar, compatible and consistent with each other on a seven point scale where it ranged from 1 – not at all to 7 – extremely well ( $\alpha$  = .939).

#### Underlying Altruistic Motive

Scale for measuring perceived underlying motives were adapted from Ellen, Webb, and Mohr (2006) value-driven scale which asked respondents the extent to which they believed that companies engage in CSR activities because "They feel morally obligated to help" and "They have a long-term interest in the community" in a seven points scale ( $\alpha$  = .721).

#### **Brand Evaluation**

Brand Evaluation was measured on 4-item 7-points scale where respondents rated their evaluation of brand on, unfavorable-favorable, dislike –like, dull – interesting and bad- good ( $\alpha$  = .832).

# 5. Results

# 5.1. Manipulation Check of Luxury-CSR Fit

For the manipulation check, an ANOVA (analysis of variance) was conducted, where the independent variable was brand/CSR fit and the dependent variable was perceived match between the brand and the CSR activity. The analysis revealed a significant effect of luxury-CSR fit on the dependent variable for all three product types. The result of manipulation check has been presented in <Table 1>.

<Table 1> Manipulation Check

Product Type	$M_{highfit}$	M <sub>lowfit</sub>	df	F-statistic
Clothing	4.326	3.167	1,86	21.381*
Bags	4.237	3.43	1,74	8.719*
Sunglasses	4.558	3.018	1,78	32.243*
* <i>p</i> <.01			•	

# 5.2. Hypotheses Testing

A series of ANOVA revealed that brand evaluation ( $M_{Clothing}$ =4.45,  $M_{Bags}$ =4.6234 and  $M_{Sunglasses}$ =4.3377) and

underlying altruistic motive ( $M_{Clothing}$ =4.5682,  $M_{Bags}$ =4.5455 and  $M_{Sunglasses}$ =4.4156) did not differ significantly on product type (allp >.05). So they were combined into one data set for testing the proposed hypotheses.

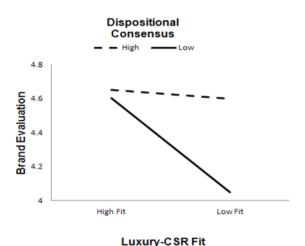
<H1> predicted that exposure to message with a CSR information involving high luxury-CSR fit would lead to more favorable brand evaluation. To test this hypothesis, a one-way ANOVA comparing the high luxury-CSR fit condition and low luxury-CSR fit condition on the evaluative responses were conducted. The results revealed a significant difference between brand evaluation under each condition such that respondents who viewed messages higher fit evaluated the luxury brand more favorably than the ones in the lower fit,  $M_{highfit}$ =4.6321,  $M_{lowfit}$ =4.2035, F(1,240)=11.142, p<.01. This result supports our <H1>.

<H2> predicted that the relationship between fit and brand evaluation will be mediated by the perceived underlying altruistic motive. First the mediation effect was confirmed through Baron and Kenny (1986) approach. And again to confirm the significance of this effect, Process macros for SPSS was used (Hayes, 2012). The effect of fit on evaluation was partially mediated by altruistic motive perceived by respondents. The beta coefficient reduced form .211, p<.01 to.156, p<.01 after including the mediator. The results of the bootstrapping analysis with 1000 bootstraps at 95% confidence interval revealed a significant indirect effect, indirect effect=.086, LLCI=.0080; ULCI=.1787, p<.05, hence lending support to our <H2>.

Our <H3> predicted the differential role of dispositional consensus on the effect of fit on brand evaluation. To test the hypothesis, the total sample was divided into two groups. This was accomplished my mean splitting the sample on the basis of their agreement on the perceived motive of the firm in engaging in CSR that was reported at the beginning of the survey. The respondents were divided into two groups, one with high consensus and the other with low consensus (M<sub>consensus</sub>=5.4274). Then a 2 X 2 ANOVA with consensus and fit as independent variables and brand evaluation as dependent variable was run to test the hypothesis. There was a significant interaction effect, F (1, 238)=6.801, p=.01.Individuals who believed that companies engage in CSR for the benefit of the society did not much care about the level of luxury-CSR fit. But for the ones who were skeptic about CSR motives, higher fit resulted in greater evaluation than no fit. This provides support for our <H3>. The results have been shown in the <Table 2> and <Figure 2>.

**<Table 2>** Brand Evaluation at Different levels of Dispositional Consensus and Luxury – CSR Fit

Consensus	Fit	Mean
Low	Low	4.047
	High	4.604
High	Low	4.6
	High	4.652



**<Figure 2>** Interaction between Dispositional Consensus and Luxury-CSR Fit

# 6. Discussion

# 6.1. Conclusions and Implications

Most research focusing on CSR information and customer response investigate less hedonic and less involving offers from the consumer goods industry, but more insights are needed into the increasing number of CSR in the luxury sector. In our examination of a luxury-CSR fit and dispositional consensus, we find support for all proposed hypotheses. Previous research has focused on the luxury conception of individuals when evaluating the CSR of luxury brands and examined the incompatible association between luxury and welfare. This study however focuses on the conception of CSR in general and the impact of fit with luxury brand in evaluating the brand. We proposed and find that as consumers are exposed to various forms of CSR including charitable donation, in today's information world. they form a predisposition about company motives for engaging in CSR. And this predisposition interacts with the luxury-CSR fit when evaluating the brand. Specifically we find that consumers are likely to favorably evaluate the brand if they already hold in their mind that companies are sincerely motivated to help the society. On the contrary, when they are skeptic about underlying company motives for engaging in CSR, the misfit between luxury brand and CSR activity has further negative effect on brand evaluation. In such a case higher fit could enhance brand evaluation. Our results are consistent with the previous finds on CSR which supports that higher brand - CSR fit results in better evaluation (Kuo & Rice, 2015; Ham & Han, 2012). This study finds that the same holds for luxury brands as well and as predicted by our <H2>, positive evaluation of fit is mediated by underlying altruistic motive.

There are some important implications that can be deduced from this study. First, in absence of other information, the level of fit does determine how a luxury brand is evaluated. Better fit can be assured through engaging in activities which directly relates with the brands' core products or personality. Providing concrete information allowing consumers to cognitively feel the association between luxury brand and its CSR initiatives would help improve evaluation. Second, dispositional consensus does have effect on evaluation, more cognitive dimension such as perceived fit coupled with consensus held by individuals do matter when evaluating brands. As suggested by our findings when general consensus held by consumers is high the type of CSR has minimal effect on luxury brand evaluation. Same results can be expected in terms of social consensus such that people who have a high social consensus that a cause or charity would be beneficial for the community then the brand helping such cause could be evaluated more favorably. Similar to the findings of Reynolds and Ceranic (2007), when social consensus positively impacted moral behavior, in light of current research, luxury brands can leverage upon the CSR activity by involving in donations and charities where the social consensus are high (example collaborating with UNICEF, helping disaster stricken area etc.) without damaging its luxury reputation. Using social consensus as a guiding factor to choose the type of charity which will be favorably viewed, irrespective of the level of fit, can help luxury firms to enjoy the benefits of better image and reputation. In case of low consensus donating to charities that are closely related to brands' product or area of business seems to be fruitful. Thirdly, from a theoretical perspective, as suggested by Aaker, Garbinsky, and Vohs (2012) brands judged high on both warmth and competence gives brands an extra boost in product attributes which they termed the "golden quadrant". Present research suggests that competence is the first important marker which is inherently possessed by luxury. Therefore, building on the "golden quadrant" concept, it can be argued that once a brand has established itself to be a luxury brand, additional warmth cues can contribute more strongly towards its evaluation. Finally, the findings are not just applicable for luxury brands but also for those where ethical considerations sometimes backfires (Newman, Gorlin, & Dhar, 2014). Donating to charities that are high in consensus irrespective of the fit between CSR and the brand could help the brands reap long-term benefits of CSR as well as be favorably evaluated.

# 6.2. Limitation and Future Studies

Although this research provides important insights into customer evaluation of brands and consensus it has some limitations. First, a hypothetical luxury brand was used in the experiment to reduce any differences due to consumers' prior knowledge about the brand. Future research could address the effects for familiar brands, as it has been suggested that the role of CSR-fit on evaluation depends on brand familiarity (Perera & Chaminda, 2013). Furthermore, the impact of a luxury brands' existing reputation for CSR might be another area of future study as it largely affects the consensus held by individuals. For example, luxury brands previously having ethical scandals probably would suffers lower perceived fit as well as consensus with CSR. Second, our study utilizes student sample from an undergraduate school from a Korean university. This might affect the generizability of the findings. As the definition of luxury mostly depends on the perception of the consumer (Kapferer & Michaut, 2015), further studies are required to test the model on more general consumers and observers of luxury brands. Third, people can construe different meaning of fit depending on their own internal feelings about the association between things. For example, allocentric consumers were more likely to form association between things than idiocentric consumers (Ryu & Bringhurst, 2015). Self-concept could have had confounding effect which was not taken into account. And finally, as perceived underlying altruistic motive only partially meditated the relationship between luxury-CSR fit other variables such as perceived competence or capability of luxury brands in their respective domain could further explain such relationship.

By testing our assumed relationship between CSR of luxury brands and its effect on the evaluation of their product we further the research on responsible luxury. The result of our study provides future direction to how can luxury brand be also viewed as a socially responsible firms not on the expense of their appeal of exclusivity and prestige. It can also pave way for the alternative model of consumer citizenship (Cabrera & Williams, 2014) where the happy few can determine their consumption choice to benefit the unprofitable, less fortunate segment of the society.

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# Appendix 1

You are a noble person. You are very special and so is 'Sogno'. We have made clothes/bags/sunglasses over 100 years for noble people. 'Sogno' clothes/bags/sunglasses are made by using finest high quality material and crafted to perfection by master artisans. The brand 'Sogno' offers high-end assortment of clothes/bags/sunglasses and luxury design to make you feel more special.

#### High Fit

'Sogno' is actively donating to the charities that provide clothes/bags/glasses to the disabled and homeless.

#### Low Fit

'Sogno' is actively donating to charities that provide books to the disabled and homeless.