

Can Corporate Social Responsibility (CSR) Internalize into Product Features? An
Investigation on Consumer Responses to Products with Ethical Attributes

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ABSTRACT

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Although the positive impact of corporate social responsibility (CSR) at company level is well documented (Luo and Bhattacharya 2009; Wagner, Lutz, and Weitz 2009), few studies looked at CSR investments in product offerings. This thesis examines consumer responses to products with ethical attributes in which CSR is internalized into product features and production process. Our study shows that ethical attributes that offer utilitarian and symbolic benefits can improve product evaluations. In addition, the positive impact of ethical attribute benefits is amplified when ethical attribute benefit is congruent with the product category benefit. Using the contagion theory, we find that the congruent benefit effect is active only when products have direct contact with consumers, because people want the products close to them to be safe, healthy and of high quality. Finally, personal CSR-quality belief is investigated. People who believe that ethical attributes come at the expense of quality are more sensitive to price-quality relation than people who believe that ethical attributes contribute to quality.

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TABLE OF CONTENTS

List of Figures	v
List of Tables	vi
Introduction.....	1
Conceptual Development.....	2
Methodology.....	16
Results.....	21
Discussion.....	32
Limitation and Future Research.....	35
References.....	38

List of Figures

Figure 1 Ethical Attribute Benefit × Product Category Benefit Interaction 27
Figure 2 Ethical Attribute Benefit × Product Category Benefit × Contact Interaction 28
Figure 3 CSR-quality Belief × Prie Interaction 29

List of Tables

Table 1	6
Table 2	19

INTRODUCTION

Corporate Social Responsibility (CSR) is a company's obligations to the society. Ever since Brown and Dacin's (1997) pioneering study on consumer reactions to CSR, research in marketing has demonstrated the positive impact of CSR on the overall image and reputation of companies (Luo and Bhattacharya 2009; Simmons and Becker-Olsen 2006; Wagner, Lutz, and Weitz 2009), on brands (Klein and Dawar 2004), as well as on products (Berens, Riel, and Bruggen 2005; Luchs et al. 2010). Notably absent from these studies are consumer attitudes and behavior to CSR activities that are "embedded in the product itself" (Peloza and Shang, 2011, 129). According to Peloza and Shang (2011), more than 80% of the previous research on CSR investigates social programs at company level, such as cause-related marketing, charity donations, and a firm's social business practices. However, these social programs are found with limitations on marketing communication: consumers are either not very well informed of a firm's CSR actions or suspicious about the firm's sincerity due to misinterpretations of its CSR message (Ellen, Webb, and Mohr 2006; Forehand and Grier 2003).

Our research stems from the question about whether it's possible to internalize CSR into product features and production process. More importantly, could CSR serve as the functional attribute of a product rather than as additional symbolic attribute attached to the product? For years, researchers in both management and marketing fields call for integrating a firm's social obligations into its product-level business, so that social responsibility can be compatible with a firm's long-term profits (Green and Peloza, 2011; Siegel and Vitaliano 2007). In this research, we find that integrating CSR into product

offerings can indeed improve product evaluations, as long as a product's ethical attributes provide the benefits expected by consumers.

In the following discussion, we start with identifying two types of ethical attributes based on product benefits offered by CSR-related product features. We argue that ethical attributes at a high level of CSR internalization can improve product evaluations better than low-internalized CSR activities. In addition, we argue that the impact of ethical attribute benefits on products differs depending on product category. A product is more positively evaluated when ethical attribute benefit is congruent with the product category benefit. Using contagion theory, we argue that the benefit congruity effect is more salient among products that have direct contact than indirect contact with consumers, because people want products close to them to be safe, healthy, and of high quality. Lastly, individual difference in CSR-quality attitudes is examined.

CONCEPTUAL DEVELOPMENT

Internalization of CSR and Ethical Attributes

Internalization of CSR is defined in this research as the extent to which CSR activities are integrated into product features and production process as a product's ethical attributes, which may have positive influences on the key benefits of products offered by a company. Research on product benefits finds distinctions between utilitarian and symbolic benefits (Babin, Darden, and Griffin 1994; Chandon, Wansink, and Laurent 2000; Dhar and Wertenbroch 2000; Okada 2005; Strahilevitz and Myers 1998). Utilitarian benefits are reflected as the functionality or efficiency of products, whereas

symbolic benefits are related to self-identification and self-expression by using a product (Chandon et al. 2000; Strahilevitz and Myers 1998). Based on the predominant benefits provided by CSR-related product features, we identify two types of ethical attributes. Specifically, utilitarian ethical attributes (e.g., organic ingredients or natural materials) mostly provide utilitarian benefits, which help a product perform better. Symbolic ethical attributes (e.g., child-labor-free or no animal testing in production) mostly provide symbolic benefits, which show one's identity or association with a certain group. Although several articles focus on products that have ethical attributes (Auger et al. 2008; LeBeouf and Simmon 2010), earlier research has not empirically examined perceptions of different types of benefits offered by ethical attributes, especially the potential utilitarian benefits. Different from previous research in which ethical attributes are automatically attributed as symbolic, we argue that some ethical attributes (e.g., natural ingredients) are perceived functional rather than symbolic.

In this study, we define the level of CSR internalization to be high when CSR activities are integrated into product offerings as utilitarian or symbolic ethical attributes. At a high level of CSR internalization, ethical attributes directly provide products utilitarian or symbolic benefits. In contrast, at a low level of CSR internalization, CSR activities are not integrated into product offerings. Instead of impacting product values directly, low-internalized CSR activities such as cause-related marketing, charitable donations, and ethical business practices work on improving a company's overall image and reputation. Prior research finds that a firm's social responsibility efforts have positive influence on its product evaluations (Brown and Dacin 1997). Consumers may draw inferences about a product's symbolic benefits from the firm's social responsible

performance. It is expected that the positive impact that low-internalized CSR activities have on a firm will transfer to its product and increase the symbolic value of the product (see table 1).

Table 1

Ethical Attribute Benefit and Internalization

	Utilitarian benefits	Symbolic benefits
High level of CSR internalization	Utilitarian ethical attributes (e.g., organic ingredient, natural material)	Symbolic ethical attributes (e.g., child-labor-free, no animal testing in production)
Low level of CSR internalization	N/A	Low-internalized CSR activities (e.g., cause-related marketing, charitable donations)

We propose that products with utilitarian or symbolic ethical attributes under high levels of CSR internalization are evaluated more positively than products that are manufactured by firms undertaking low-internalized CSR activities. First of all, products that have utilitarian or symbolic ethical attributes are more attractive to consumers. Most people react positively to products that have ethical or sustainable features (Mohr, Webb, and Harris 2001). Utilitarian ethical product attributes can help consumers to achieve concrete benefits. For example, product features such as organic, locally grown, or no antibiotics ingredients could directly improve product quality. Besides, purchasing sustainable products is a way to express individual concerns about environment or health issues. Products with symbolic ethical attributes can help consumers generate a good feeling of doing something good.

Secondly, a high congruity between ethical attributes and products could facilitate favorable associations transferred from the ethical attributes to the product and then increases product evaluations. In the condition of CSR internalized into product offerings, we believe that there is an ethical attribute-product congruity. Utilitarian or symbolic ethical attributes are more logically associated with the products than low-internalized CSR activities. Research on cause-related marketing and sponsorship suggests that CSR congruity between the firm and the cause increases consumer preferences for the firm and its CSR activities (Barone, Norman, and Miyazaki 2007; Becker-Olsen, Cudmore, and Hill 2006; Ellen et al. 2006; Johar and Pham 1999; Menon and Kahn 2003). Madrigal (2000) also notes that people are more likely to respond to products when there is a high congruity between ethical attributes and product. Therefore, we expect that a high congruity can facilitate a stronger association products have with ethical attributes and reinforce the high quality, reliable, and socially responsible image of the product.

Lastly, utilitarian or symbolic ethical attributes make it easier for consumers to understand a firm's motives for its CSR actions. CSR activities that are internalized into products as value-adding attributes could directly improve product quality or image. Forehand and Grier (2003) demonstrate that it's acceptable and expected for firms to mention profit-related motives in their CSR actions. Although consumers appreciate firms for CSR activities with pure and selfless public-serving motives, they understand that firms need to make money (Ellen et al. 2006; Vlachos et al. 2009) and then probably consider products with utilitarian and symbolic ethical attributes more reasonable and appropriate. In contrast, consumers exposed to low-internalized CSR activities may find it hard to link them with the product, especially when cause-related campaigns don't fit

product dimensions or image very well (Menon and Kahn 2003). People exposed to low-internalized CSR activities may generate suspicions on a firm's underlying motives for its CSR actions. Rifon et al. (2004) find that greater elaborations about firm's underlying motives about its CSR actions could diminish consumer support for both the firm and CSR activity. In summary, we propose that products that have utilitarian or symbolic ethical attributes can generate more favorable product evaluations than products that are manufactured by firms undertaking low-internalized CSR activities.

H1: Products will be evaluated more positively when the products have utilitarian or symbolic ethical attributes under high levels of CSR than when the products are manufactured by firms undertaking low levels of CSR.

A Benefit Congruity Between Ethical Attribute and Product Category

In a research on CSR communication, Bueble (2009, 11) mentions that consumer preferences for products that have ethical attributes should be product specific "where CSR-related product benefits... can be clearly demonstrated to consumers". In this research, we expect that a benefit congruity between ethical attribute and product category will significantly increase consumer evaluations of a product that have ethical attributes. Consumers evaluate a product based on its benefits (Chandon et al. 2000; Meyvis and Janiszewski 2002), and they have certain benefit expectations from each product category (LeBoeuf and Simmons 2010). Consumer research on benefit expectations from products distinguishes utilitarian products and symbolic products (Hirschman and Holbrook 1982; Park, Jaworski, and MacInnis 1986). Utilitarian products

focus on functional performances and fill the basic functional needs (Strahilevitz and Myers 1998; Voss, Spangenberg, and Grohmann 2003). Symbolic products create and extend symbolic needs such as self-identification, group membership, or self-expression (Park et al. 1986).

We believe that a product with ethical attributes should be more positively evaluated when ethical attributes provide the same type of benefits (i.e., utilitarian benefits or symbolic benefits) expected from product category. In a study examining consumer preferences on products with cause-related features, Auger et al. (2008) find that ethical attribute that is utilitarian (i.e., biodegradable formulation) is evaluated more positively only if it is congruent with product category benefit. Strahilevitz and Myers (1998) also demonstrate that the type of sponsor products has great impact on the effectiveness of charitable donations. They find that a hedonic product is more effective than a utilitarian product in charity donations. Retailing literature has also found a significant impact of benefit congruity on products. For example, Chandon et al. (2000) find that the effectiveness of sales promotions depends on the congruence promotion benefits have on product categories. In their studies, utilitarian promotion benefits are more weighted in purchasing utilitarian products, whereas hedonic promotion benefits are more weighted in purchasing hedonic products.

In recent research examining the relation between product attribute benefit and product category benefit, LeBoeuf and Simmons (2010) demonstrate that a product is evaluated more positively when product attribute benefit is congruent with the product category benefit. In their studies, product attributes that offer benefit congruent with the product category benefit (i.e., utilitarian products with utilitarian attributes or symbolic

products with symbolic attributes) are evaluated more positively than product attributes that offer benefit incongruent with the product category benefit (i.e., utilitarian products with symbolic attributes or symbolic products with utilitarian attributes). Our study has two major differences from LeBoeuf and Simmons' (2010) study: Firstly, we focus on ethical attributes, whereas LeBoeuf and Simmons examine both traditional and ethical product attributes. Secondly, our study examines ethical attributes more carefully and separate them into utilitarian and symbolic ethical attributes based on benefits perceived by consumers, whereas LeBoeuf and Simmons (2010) test ethical attributes that are related to symbolic benefits only and imply that all ethical attributes provide symbolic benefits. However, our study suggests that certain ethical attributes, such as the nature of the product's ingredients, increase utilitarian rather than symbolic benefits.

In addition, LeBoeuf and Simmons (2010) suggest that for branded products, product attributes that provide benefit incongruent with the product category benefit will be evaluated more positively. A brand can differentiate itself by emphasizing attributes that are inconsistent with the attributes at the product category level. Therefore, the benefit expectations toward branded products change. They find that branding shifts consumer attitudes toward the product such that attitude toward utilitarian product is more symbolic while attitude toward symbolic product is more utilitarian.

In this study, we believe that products with ethical attributes will be evaluated more positively when ethical attribute benefit is congruent with the product category benefit, even for branded products. First, the findings of LeBoeuf and Simmons (2010) may not be observed in certain conditions. The success of incongruent benefit appeal is based on the condition that consumers are familiar with product attributes and, thus, can

very well anticipate the benefits provided by familiar product attributes. After years of shopping experiences and exposure, consumers may become so familiar with congruent benefit appeal that they expect a brand to offer a unique benefit, such as a symbolic ethical attribute presentation in an otherwise utilitarian product offering. However, among ethical attributes, a utilitarian benefit provides a congruent yet unique benefit. Evaluations of ethical attribute benefit should be based on the basic need for congruent benefit appeal. Second, this expectation has received robust empirical support in the majority of the literature investigating a benefit (in)congruity effect between product attribute and product category (Chandon et al. 2000; Strahilevitz and Myers 1998). In summary, we expect that a benefit congruity between ethical attribute and product category increase the effectiveness of ethical attributes. Specifically, utilitarian products will be more positively evaluated than symbolic products when products have utilitarian ethical attributes. Symbolic products will be more positively evaluated than utilitarian products when products have symbolic ethical attributes.

H2: When ethical attributes offer different types of benefits, products will be evaluated more positively when the ethical attribute benefit is congruent with the product category benefit.

Contagion Effect and Ethical Attribute Benefit

In our observations in natural products stores, most products with ethical attributes, such as organic food, cosmetics made of natural ingredients, or baby diapers made of recyclable paper, are in close contact with human body. Why do people want

products that are close to them to be safe, healthy, and of high quality? In the retailing literature, contagion effect indicates that properties or essence are transferred from a person or an object (the source) to another person or object (the target) by physical contact (Argo, Dahl, and Morales 2006, 2008; Morales and Fitzsimons 2007). People's attitudes toward the target are enhanced or diminished due to the nature of the properties positively or negatively transferred from the source (Argo et al. 2006, 2008; Nemeroff and Rozin 1994). In a retailing context, positive contagion is found to increase consumer evaluations of a target product. When a person or an object is in physical contact with the target product, the person or object passes pleasant properties to the target product. As a result, consumer evaluations to the target product are increased. For instance, Newman, Diesendruck, and Bloom (2011) show that people pay more for items once owned by liked celebrities because people believe that celebrities actually leave remnants on used items. Argo et al. (2008) also demonstrate that a T-shirt worn by an attractive salesperson of the opposite sex is evaluated more positively.

Researchers further categorize contagion into physical contagion and non-physical contagion based on whether the nature of properties or essence is physical or non-physical (Argo et al. 2008; Nemeroff and Rozin 1994). In the condition of physical contagion, the source passes physical properties, such as germ, odor, or body heat, by touching the target. For example, a physical contact between fresh food and expired food passes bacteria or toxins to the fresh food. In the condition of non-physical contagion, non-physical essence, such as spirits, energy, or values are embedded in the source and passed to the target by touching. For example, wearing Adolf Hitler's sweater implies approval and acceptance of his action (Nemeroff and Rozin 1994). In this study, we

believe that when products have ethical attributes, utilitarian and symbolic ethical attribute benefits can be perceived as positive properties or essence, and are transferred to consumers by touching the product through physical contagion and non-physical contagion, respectively. Specifically, physical contagion transfers the physical properties of utilitarian ethical attribute benefits (i.e., natural ingredients) by consumers touching the product, whereas non-physical contagion transfers the non-physical values of symbolic ethical attribute benefits (i.e., support for a firm's fair labor practice) embedded in the product by consumer's interaction with the product.

Angyal (1941) suggests that the effectiveness of contagion depends on the degree of intimate contact the source has with the target. It is supported by a study examining contagion of disgusting source in which contagion effect is stronger when people hold the disgusting source than when people simply see the disgusting source (Morales and Fitzsimons 2007). Therefore, it is expected that the positive contagion of ethical attribute benefits may differ depending on the degree of physical contact a product has with consumers. Although there is no conceptual clarity on the format of physical contact in a retailing context, previous literature has referred it as touch, taste, and smell consumers have with a product (Argo et al. 2006, 2008; Newman et al. 2011). Some products such as food, underwear, and jewelry are in direct contact with human body. Thus, it is much easier for these products to transfer ethical attribute benefits through contagion. Other products such as printer ink or car flags, however, are less likely to have direct contact with human body. As a result, transformation of ethical attribute benefits is less easy. Summing up, we propose that products with ethical attributes will be evaluated more

positively among products have direct contact with human body than products have indirect contact with human body.

H3: Products that have ethical attributes will be evaluated more positively among products with direct physical contact compared to products with indirect physical contact.

In addition, we believe that when the ethical attribute benefit is congruent with the product category benefit, products that have ethical attributes will be evaluated more positively among products with direct physical contact than products with indirect physical contact. The idea is that displaying the same type of ethical attribute benefit and product category benefit together may increase the salience of benefit, which will induce a stronger contagion effect. Argo et al. (2006) provide support for this idea by demonstrating that the impact of contagion is positively related to the salience of contagion cues. One of their studies shows that the contagion effect on a shirt is stronger when the shirt is frequently touched by consumers than when it is only touched once. Newman et al. (2011) also demonstrate that the value of an item owned by a liked celebrity increases by highlighting the amount of contact the celebrity have with the item. Therefore, we predict that when there is a benefit congruity between ethical attribute and product category, products that have direct contact with human body will be evaluated more positively than products that have indirect contact with human body

H4: When ethical attribute benefit is congruent with the product category benefit, products that have ethical attributes will be evaluated more positively among product with direct physical contact compared to products with indirect physical contact products.

Individual difference on CSR-quality beliefs

Besides the interaction between ethical attribute benefit and product category benefit, we are also interested in factors that may influence the effect of ethical attribute benefit at the individual level. Over the past decade, many researchers have been trying to identify the psychographic and demographic traits that drive consumers to buy ethical products (Mohr et al. 2001; Webb, Mohr, and Harris 2008). Researchers find that one of consumers' biggest concerns to choose ethical products over traditional products is product quality. Sen and Bhattacharya (2001) find that a substantial proportion of consumers worry that the quality of ethical products may not be as good as those without ethical attributes.

The lack of consumer confidence on the quality of products with ethical attributes may be partially due to a firm's limited resources and partially due to consumer stereotype. For a company, resources are limited in terms of the time and energy allocated to each part of its operations, such as manufacturing products, recruiting workers, attracting financial investors, as well as CSR investments (Berens, Riel, and Rekom, 2007). Due to increasing public expectations of firms' CSR performance in recent years, it is possible that some resources that are initially allocated to manufacturing are transferred to CSR investments. Thus, a firm has to sacrifice product quality for its

CSR performance. Consumers, on the other hand, may have stereotype about ethical products being inferior on quality. Aaker, Vohs, and Mogilner (2010) find that although people think non-profit organizations warmer and for-profit organizations more competent, people are less willing to buy products from non-profits. Perception of lack of competence is transferred from the non-profits to reduce product evaluation. Luchs et al. (2010) find that people associate safe, mild, and gentleness with products that have ethical attributes. Therefore, people may think products that have ethical attributes less competent and reflect such image on product quality.

Summing up, people may differ in their beliefs about the relationship between ethical attribute and product quality. Some believe that ethical attributes come at the expense of product quality. We identify them as people who have CSR-quality trade-off belief. Others believe that ethical attributes do not affect or may even contribute to product quality, and they are identified as people who have CSR-quality win-win belief. Ethical attributes may lead to perception of reduced quality among people who have CSR-quality trade-off belief. A trade-off between CSR and product quality reduces purchase intention (Barone, Miyazaki, and Taylor 2000). Therefore, we expect that products with ethical attributes will be evaluated less positively among people who believe ethical attributes come at the cost of product quality than people who believe that ethical attributes contribute to product quality. To put it formally:

H5: People who have CSR-quality trade-off belief will evaluate product with ethical attribute less positively than people who have CSR-quality win-win belief.

The extant literature on price-quality relation suggests that consumers use price to infer product quality. High price indicates good product quality, whereas low price indicates inferior quality (Kardes et al., 2004; Rao and Monroe 1988; Bettman, John, and Scott 1986). Shiv, Carmon, and Ariely (2005) demonstrate that low price activates expectations about inferior product quality, and then reduces the actual efficacy of the product. In this study, we use price to manipulate quality perception of product with ethical attributes. We expect that people who believe that ethical attributes come at the cost of quality (i.e., CSR-quality trade-off belief) are more sensitive to price-quality relationship than people who believe that ethical attributes contribute to quality (i.e., CSR-quality win-win belief). Offering products that are less expensive may lead to perception of reduced quality. People who have CSR-quality trade-off belief will evaluate the product less positively than people who have CSR-quality win-win belief. In contrast, offering products that are expensive may lead to perception of good quality. People with CSR-quality trade-off belief will evaluate the product more positively than people with CSR-quality win-win belief.

H6: People who have CSR-quality trade-off belief are more sensitive to price-quality than people who have CSR-quality win-win belief.

METHODOLOGY

The purpose of this study is to examine consumer evaluations of products differing in ethical attribute benefit, product category benefit, physical contact, brand, and prices. A 3 (ethical attribute benefit: utilitarian vs. symbolic vs. a low-internalized CSR activity) × 2 (product category benefit: utilitarian vs. symbolic) × 2 (physical contact: direct vs. indirect) × 2 (brand: national brand vs. store brand) × 2 price (high vs. low) paper-and-pencil mixed study was designed. The factors product category benefit and physical contact were manipulated between subjects, whereas the factors ethical attribute benefit, brand, and price were manipulated within subjects.

Stimuli

Product category benefit was manipulated by the determinant benefits perceived from products. Physical contact was manipulated by the extent of direct contact the product has with human body. Four product categories were chosen: cough & cold syrup (product with utilitarian benefit and direct contact), printer ink (product with utilitarian benefit and indirect contact), high school class rings (product with symbolic benefit and direct contact), and Montreal Canadiens car flags (product with symbolic benefit and indirect contact).

Ethical attribute benefit was manipulated by the determinant benefits provided by ethical attributes. Two ethical attribute and one low-internalized CSR activity were chosen from pretest two: (product) is made with natural and locally supplied/grown materials/ingredients (utilitarian ethical attribute benefit), (product) is child-labor-free and in cooperation with Free The Children Canada (symbolic ethical attribute benefit),

and (product) supports SafeWork® Foundation to improve safety at work (low-internalized CSR activity). Wording of the utilitarian ethical attribute benefit was slightly changed for each product category. For cough & cold syrup, utilitarian ethical attribute benefit was presented as “product is made with natural and locally grown ingredients”. For printer ink, high school class ring, and Montreal Canadiens car flag, utilitarian ethical attribute benefit was presented as “product is made with natural and locally supplied materials”.

Brand was manipulated by national or store brand names. Four national leading brands and four premium store brands in Canada were chosen. Price was manipulated by high or low prices. High prices used the regular prices of the chosen national brands, whereas low prices were 30% off from the high prices.

Pretest

Two paper-and-pencil pretests were conducted to select product category stimuli and ethical attribute stimuli. A total of 119 students from Concordia University participated in the pretests and received a \$5 compensation for completing the survey.

In the first pretest, 29 participants (22 female and 7 male) between the ages of 19 and 28 ($M = 21.93$, $SD = 2.10$) were asked to rate sixteen products on ten items HED/UT scale (Voss, Spangenberg, and Grohmann, 2003) using a 9-point scale, followed by seven question items about perceived product symbolic benefits (Wilcox, Kim, and Sen 2009), and one question about the extent of physical contact products have with human body using a 7-point scale. Participants also answered questions about demographic

information (gender, age, years live in Canada) and language skills. In the end, we kept ten product categories for the second pretest.

In the second pretest, 90 participants (36 female and 54 male) between the ages of 18 and 32 ($M = 22.34$, $SD = 2.59$) were asked to rate a list of fifteen ethical attributes on the perceived utilitarian and symbolic benefits for each of the ten product categories chosen from the first pretest. To reduce participant fatigue, the second pretest questionnaire was divided into three parts with four, five, and five product categories in each part, and was randomly assigned to participants.

Data was analyzed in both SPSS and Excel. In pretest one, we calculated the utilitarian and symbolic benefits for each product category, and the physical contact perceived for each product category. Four product categories that had high utilitarian benefit and low symbolic benefit were chosen to represent utilitarian product benefit. Six product categories that had high symbolic benefit and low utilitarian benefit were chosen to represent symbolic product benefit. Among these ten product categories, five had direct contact with human body, while the other five had indirect contact with human body. Altogether, ten product categories were chosen from the first pretest. In the second pretest, we calculated the utilitarian and symbolic benefits for each ethical attribute. One ethical attribute (i.e., product is made with natural and locally supplied/grown materials/ingredients) that had high utilitarian benefit and low symbolic benefit was chosen as utilitarian ethical attribute. One ethical attribute (i.e., product is child-labor-free and in cooperation with Free The Children Canada) that had high symbolic benefit and low utilitarian benefit was chosen as symbolic ethical attribute. One CSR activity (i.e.,

product supports SafeWork® Foundation to improve safety at work) that was low on both utilitarian and symbolic benefits was chosen as a low-internalized CSR activity.

Main Experiment

Four hundred and seven participants (54.8% female) between 18 and 47 (Age_{median} = 21, 89% were fluent in English, M_{years live in Canada} = 17.13) participated in this study. Participants were randomly assigned to one of the four product categories. To make sure that participants were to some extent familiar with the product categories used in our study, we asked each participant how familiar he/she was with the product category assigned to him/her. Participants who never used cough & cold syrup, or printer ink, or class ring, or didn't support Montreal Canadiens hockey team were excluded from this study. After that, participants received a copy of survey and were informed that they were being included in a randomly chosen reward for a \$ 100 prize.

In the first part of the survey, each participant was presented with 12 different product descriptions. Each product description included a product category name, a brand name, an ethical attribute, a price, and two other product features which were constant for each product category. Because each participant was assigned to only one product category, the product category was the same for the 12 alternative product descriptions. Attributes brand (national brand or store brand), ethical attribute (utilitarian, symbolic, or low-internalized CSR), and price (high or low) differed among 12 alternative product descriptions. Participants were instructed to rate how appealing the product was based on each product description on a scale of 1 to 100 (see an example of product description in table 2). 0 was “extremely unappealing”, 50 was neutral, and 100 was “extremely

appealing”. Two versions that have different orders of alternative product descriptions were created in order to reduce order effects.

In the second part of the survey, participants completed manipulation check questions on product category benefit, ethical attribute benefit, and the extent of physical contact the product has to human body, followed by multiple scale question items for brand, price, CSR-quality belief. Questions about personal importance of each ethical attribute, perceived quality contribution of each ethical attribute, and price-quality perception were also included. In the end of the survey, participants completed questions about demographic information and language skills.

Table 2

An Example of Product Description

1	Cough & Cold Syrup Robitussin® Brand Relieves dry coughs and chest congestion Clears stuffy nose Made with natural and locally grown ingredients \$8.99
---	--

On a scale of 1-100, how would you rate the product above? _____

RESULTS

Manipulation checks

To test utilitarian and symbolic product category benefits, five 9-point scales (Voss et al. 2003) items were asked to test the utilitarian benefit ($\alpha = .89$) of the product category. Seven 7-point scales (Wilcox, Kim, and Sen, 2009) questions were asked to test the symbolic benefit ($\alpha = .92$) of the product. First of all, we want to prove that the utilitarian benefit of utilitarian products (cough & cold syrup and printer ink) is higher than the utilitarian benefit of symbolic products (high school class ring and Montreal Canadiens car flag). We coded utilitarian products as 0 and symbolic products as 1. We ran a one-way ANOVA using product category as independent variable and utilitarian ethical attribute benefit as dependent variable. As expected, utilitarian products were perceived to provide more utilitarian benefit than symbolic products ($F(1,283) = 173.57, p < .01$). Secondly, we want to test that the symbolic benefit of symbolic products (high school class ring and Montreal Canadiens car flag) is higher than the symbolic benefit of utilitarian products (cough & cold syrup and printer ink). We ran a one-way ANOVA using product category as independent variable and symbolic ethical attribute benefit as dependent variable. As expected, symbolic products were perceived to provide more symbolic benefit than utilitarian products ($F(1,286) = 91.17, p < .01$). Lastly, we want to test that utilitarian products provide more utilitarian than symbolic benefit, and that symbolic products provide more symbolic than utilitarian benefit. To capture the predominant benefits provided by each product category, we calculated a difference score for each product category by subtracting symbolic benefit from utilitarian benefit. So higher difference score indicates more utilitarian benefit. As expected, cough & cold

syrup ($M_{\text{differ}} = 4.90$, $SD = 1.83$, $t(63) = 21.42$, $p < .01$) and printer ink ($M_{\text{differ}} = 4.95$, $SD = 2.57$, $t(66) = 15.72$, $p < .01$) had much higher utilitarian benefits than symbolic benefits. For high school class rings ($M_{\text{differ}} = .45$, $SD = 2.32$, $t(78) = 1.72$, $p > .09$) and Montreal Canadiens car flags ($M_{\text{differ}} = .10$, $SD = 1.99$, $t(73) = .43$, $p > .67$), however, perceived symbolic benefit and utilitarian benefit were very close. Both of these categories were chosen as product categories with symbolic benefits, which is consistent with findings in LeBoeuf and Simmons (2010) and Shavitt (1990).

To test physical contact the product has with human body, one 9-point scales question was asked: “when I use (product), my body is in close contact with it”. We want to test that products with direct physical contact (cough & cold syrup and high school class ring) have more direct contact with body than products with indirect physical contact (printer ink and Montreal Canadiens car flag). We coded products with direct contact as 1 and products with indirect contact as 0. We ran a one-way ANOVA using product category as independent variable and physical contact as dependent variable. As expected, products with direct contact were perceived to have more direct contact with body than products with indirect contact ($F(1,284) = 42.82$, $p < .01$). Therefore, cough & cold syrup ($M = 4.77$, $SD = 1.66$) and high school class rings ($M = 4.15$, $SD = 2.21$) were considered products that have direct physical contact with human body, whereas printer ink ($M = 2.99$, $SD = 2.02$) and Montreal Canadiens car flags ($M = 2.89$, $SD = 1.67$) were considered products that have indirect physical contact with human body.

To test ethical attribute benefits, two 7-point scales questions were asked: “How much would [ethical attribute] improve the functional benefit (e.g. the product will perform better) of (product)”, and “How much would [ethical attribute] improve the

symbolic benefit (e.g. the product shows you identity or association with a group) of (product)”. To capture the predominant benefits provided by each ethical attribute, we calculated a difference score for each ethical attribute by subtracting symbolic benefit from utilitarian benefit. So higher difference score indicates more utilitarian benefit. As expected, utilitarian ethical attribute: (product) is made with natural/ organic and locally supplied/grown materials/ingredients was perceived to improve utilitarian benefit ($M_{\text{Differ}} = .22$, $SD = 2.27$, $t(406) = 1.95$, $p < .05$). Symbolic ethical attribute: (product) is child-labor-free and in cooperation with Free The Children Canada was perceived to improve symbolic benefit ($M_{\text{Differ}} = -.58$, $SD = 2.53$, $t(406) = -4.67$, $p < .01$). Low-internalized CSR activity: (product) supports SafeWork® Foundation to improve safety at work was also perceived to improve symbolic benefit ($M_{\text{Differ}} = -.61$, $SD = 2.42$, $t(406) = -5.13$, $p < .01$). Consistent with our prediction, the low-internalized CSR activity could also improve symbolic benefit of a product.

To test brand attitude and quality perception of national brands and store brands, five 7-point semantic differential scales questions were asked: “How would you rate the brand as low/high quality, inferior/superior, bad/good, negative/positive, and unfavorable/favorable?”. We want to test that the brand attitude and quality perception are higher among national brands. We calculated a difference score for each product category by subtracting store brand from national brand. So higher difference score indicates more favorable brand attitude and quality perception. As predicted, national brands were evaluated higher than store brands ($M_{\text{Differ}} = 1.33$, $SD = 1.48$, $t(405) = 18.08$, $p < .01$). More favorable brand attitude and quality perception were generated toward national brands ($M = 5.63$, $SD = 1.01$) than toward store brands ($M = 4.30$, $SD = 1.08$).

Hypothesis 1: Internalization of CSR

Hypothesis one proposed that products that have utilitarian or symbolic ethical attributes under high levels of CSR internalization increase more product evaluations than products that are manufactured by firms undertaking low-internalized CSR activities. We coded products with utilitarian or symbolic ethical attributes at a high level of CSR internalization as 1 and products with low-internalized CSR at a low level of CSR internalization as 0. We ran a one-way ANOVA using product evaluation as dependent variable and the level of CSR internalization as independent variable. Products with utilitarian or symbolic ethical attributes under high levels of CSR internalization are evaluated more positively than products made by companies undertaking low-internalized CSR activities ($F(1,4799) = 38.11, p < .01$). We further compared the effect of ethical attribute benefit on product evaluations. We coded products with symbolic ethical attributes as 1 and products with utilitarian ethical attribute as 0. We ran one-way ANOVA using product evaluation as dependent variable and ethical attribute as independent variable. Result showed that products with symbolic ethical attributes were evaluated more positively than products with utilitarian ethical attribute ($F(1,3199) = 51.40, p < .01$).

To test hypotheses two to six, we built a regression including product category benefit, ethical attribute benefit, physical contact, brand, price, CSR-quality belief and all possible interactions. We ran a multiple-way ANOVA using product evaluation as

dependent variable and all factors and their possible interactions in the regression as independent variables and found significant effect ($F(40,1463) = 5.20, P < .01$).

Hypothesis 2: A benefit congruity between ethical attribute and product category

Hypothesis two proposed that products are more positively evaluated when ethical attribute benefit is congruent with the product category benefit. Specifically, we expect that evaluation of utilitarian products with utilitarian ethical attributes is higher than symbolic products with utilitarian ethical attributes, whereas evaluation of symbolic products with symbolic ethical attributes is higher than utilitarian products with symbolic ethical attributes.

There was a significant two-way interaction between product category and ethical attribute ($t(1423) = 3.07, \beta = 1.58, p < .01$, see figure 1). We conducted a slope test to check the significance of the interaction (Preacher, Curran, and Bauer, 2006). Evaluations of products with utilitarian ethical attributes were much higher among utilitarian products than among symbolic products ($M_{\text{utilitarian product}} = 71.55, M_{\text{symbolic product}} = 67.68, p < .05$). The congruent benefit effect was marginally significant for products with symbolic ethical attribute ($p < .10$). But still, evaluations of products with symbolic ethical attributes were higher among symbolic products than utilitarian products ($M_{\text{symbolic product}} = 74.94, M_{\text{utilitarian product}} = 72.48, p < .10$).

Hypothesis 3 and 4: The effects of congruent benefit for physical contagion

We expected that products with ethical attributes were more positively evaluated among products with direct physical contact compared to products with indirect physical

contact. However, the two-way interaction between ethical attribute and physical contact was not significant ($t(1423) = -.31, \beta = -.16, p > .10$). This hypothesis was not supported.

Hypothesis four was supported. It proposed that products that have ethical attributes are more positively evaluated among products with direct physical contact than products with indirect physical contact, when ethical attribute benefit was congruent with the product category benefit. A three-way interaction between ethical attribute benefit, product category benefit, and physical contact was significant ($t(1423) = 3.33, \beta = 1.72, p < .01$). Congruent benefit effect was significant among products have direct contact with human body, but was not significant among products have indirect contact with human body (see figure 2). When products have direct contact with human body, evaluations of utilitarian products with utilitarian ethical attributes were higher than symbolic products with utilitarian ethical attributes ($M_{\text{utilitarian product}} = 73.10, M_{\text{symbolic product}} = 64.08, p < .01$). Similarly, symbolic products with symbolic ethical attributes were more favorable compared to utilitarian products with symbolic ethical attributes ($M_{\text{symbolic product}} = 74.46, M_{\text{utilitarian product}} = 70.28, p < .05$). However, congruent benefit didn't affect evaluations among products that have indirect contact with human body. When products have indirect contact with human body, evaluations were the same between products that have congruent ethical attribute benefits and incongruent ethical attribute benefits. Evaluations of utilitarian products with utilitarian ethical attribute benefits were very close to symbolic products with utilitarian ethical attribute benefits ($M_{\text{utilitarian product}} = 69.99, M_{\text{symbolic product}} = 71.27, p > .55$). Evaluations of symbolic products with symbolic

ethical attribute benefits were almost the same to utilitarian products with symbolic ethical attribute benefits ($M_{\text{symbolic product}} = 75.41$, $M_{\text{utilitarian ethical attribute}} = 74.67$, $p > .73$).

An alternative explanation to the three-way interaction could be that direct contact increased the importance of ethical attribute benefits or the quality contribution of ethical attribute benefits on product category. We conducted a 2 (product category benefit: utilitarian vs. symbolic) \times 2 (physical contact: direct vs. indirect) ANOVA using the importance of utilitarian/symbolic ethical attribute benefits and the quality contribute of ethical attributes as dependent variables. The main effects of product category benefits and physical contact were not significant. Two-way interaction between product category and physical contact was also not significant (all p 's $> .10$). These results suggest that each ethical attribute has equal benefit importance and quality contribution to product when the product has direct or indirect contact with human body. Thus, we rule out the possibility of alternative explanation and provide evidence of the robustness of contagion effect.

Hypothesis 5 and 6: CSR-quality beliefs

We expect that people who believe that ethical attributes come at the cost of product quality (i.e., CSR-quality trade-off belief) have less favorable evaluation of products with ethical attributes than people who believe that ethical attributes contribute to the product quality (i.e., CSR-quality win-win belief). Contrary to our prediction, product evaluations had no significant difference between the two groups ($t(1423) = .82$, $\beta = .42$, $p > .40$). The two-way interaction between CSR-quality belief and ethical attribute was not significant ($t(1423) = -.56$, $\beta = -.28$, $p > .50$). Three-way interaction

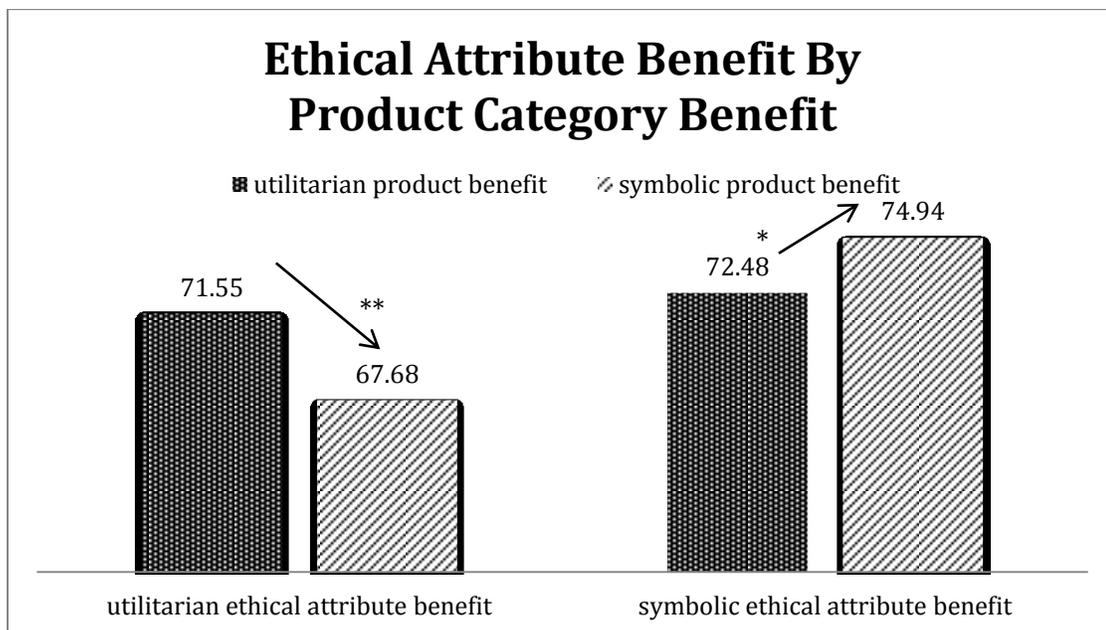
between CSR-quality belief and ethical attribute and product category was also not significant ($t(1423) = .28$, $\beta = .14$, $p > .70$). These results suggest that the mere presentation of ethical attributes will not lead to perception of reduced product quality.

A two-way interaction between CSR-quality belief and price was found significant ($t(1463) = 4.78$, $\beta = 2.38$, $p < .01$, see figure 3). When price was low, people who believe CSR-quality trade-off evaluated products less favorable than people who believe CSR contributes to quality ($M_{\text{CSR-quality win-win}} = 78.51$, $M_{\text{CSR-quality trade-off}} = 70.66$, $p < .01$). When price was high, people who believe CSR-quality trade-off evaluated products more favorable than people who believe CSR contributes to quality ($M_{\text{CSR-quality win-win}} = 63.12$, $M_{\text{CSR-quality trade-off}} = 74.34$, $p < .01$). As mentioned in previous discussion, manipulating price may lead to perceptions of enhanced or reduced quality. We further investigated whether believes about “price is an indicator of quality” mediated the relation between price and CSR-quality belief. Three 7-point scales questions (Darke and Chung 2005) were used to measure perception of price-quality relation. We tested four different regression models. First, we tested a regression model with the product evaluation as the dependent variable and the CSR-quality belief (we mean-centered CSR-quality belief. People with CSR-quality trade-off belief had positive value, and people with CSR-quality win-win belief had negative value) as the independent variable. CSR-quality belief was a significant predictor of product evaluation ($t(6398) = 2.05$, $\beta = .51$, $p < .05$). The second regression model showed that CSR-quality belief also significantly affected price-quality perception ($t(6398) = 24.13$, $\beta = .38$, $p < .01$). The positive value of the CSR-quality belief coefficient suggests that people who have CSR-quality trade-off belief are more likely to take price as an indicator of quality. The third model showed that

price-quality perception is a significant predictor of product evaluation ($t(6398) = 9.42$, $\beta = 1.76$, $p < .01$). Finally, when we entered both CSR-quality belief and price-quality perception as independent variables in the same model, the effect of price-quality perception was significant ($t(6397) = 9.22$, $\beta = 1.80$, $p < .01$), but CSR-quality belief was no longer a significant predictor of product evaluation ($t(6397) = -.69$, $\beta = -.18$, $p > .40$).

Figure 1

Hypothesis 2: Ethical Attribute Benefit \times Product Category Benefit Interaction



* $p < .1$, ** $p < .05$, *** $p < .01$

Figure 2

Hypothesis 4: Ethical Attribute Benefit × Product Category Benefit × Physical Contact

Interaction

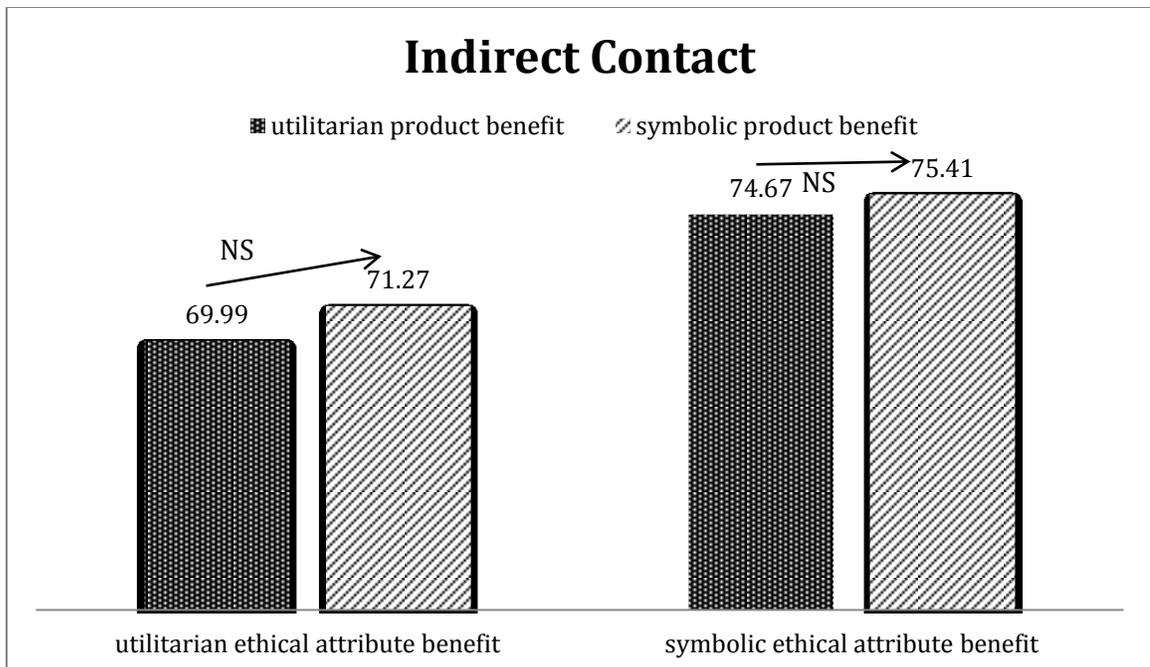
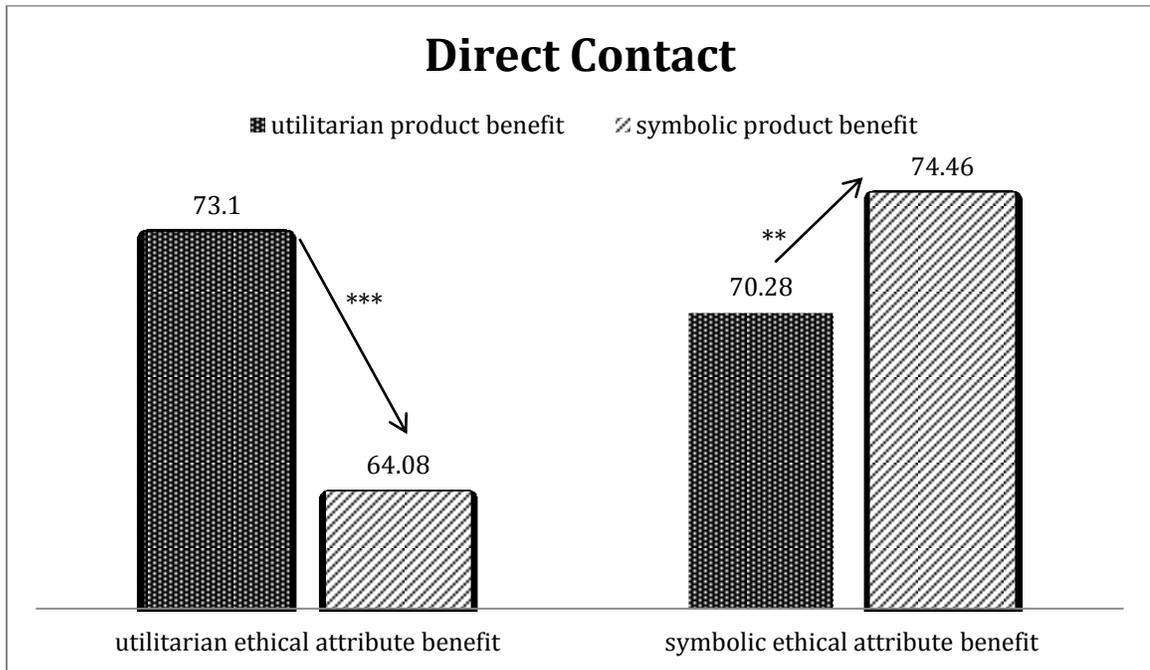
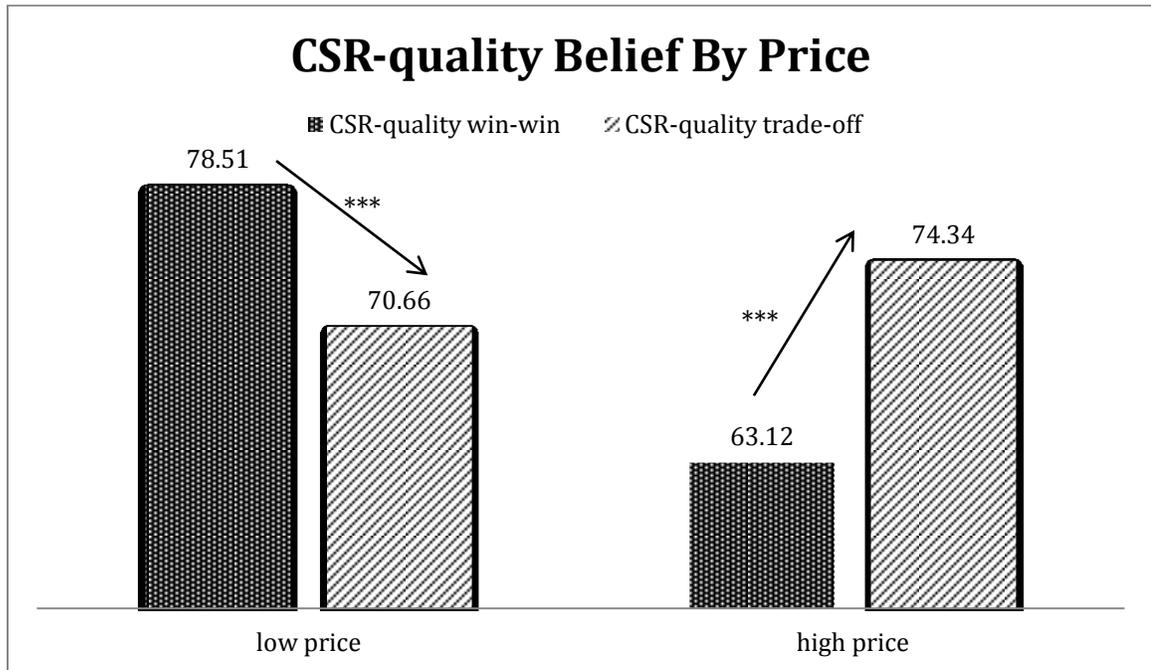


Figure 3

Hypothesis 5: CSR-quality Belief \times Price Interaction



DISCUSSION

Recently, several articles focusing on consumer responses to products with ethical attributes question the positive impact of ethical attributes on the evaluation of products. For example, Luchs et al. (2010) find that ethical attributes decrease preferences for car shampoo and car tires. Torelli, Monga, and KaiKati (2012) find that CSR activities diminish brand with self-enhancement concept. The findings from our study show that ethical attributes improve product evaluations, as long as the ethical attribute benefit is congruent with the product category benefit. Our benefit congruity findings explain recent research on the negative impact of ethical attributes. The negative impact of ethical attributes on product evaluations in the findings of Luchs et al. (2010) and Torelli et al. (2012) are caused by a benefit incongruity between ethical attribute and product/brand. In the case of Luchs et al. (2010), sustainability decreases the “tough” and “strong” features required by car shampoo. In Torelli et al.’s (2012) study, the power, wealthy and exclusivity image related to a self-enhancement brand is diminished when ethical attribute is involved. To the best of our knowledge, our research provides the first evidence of different types of benefits that offered by ethical attributes and their congruence with product category.

The manipulation of ethical attribute benefits increases product evaluations, which shows evidence that product-based CSR activities work better than company-level CSR activities on improving product evaluations. Interestingly, ethical attributes with symbolic benefits increase product evaluations more than ethical attributes with utilitarian benefits. Compared to utilitarian ethical attributes, perhaps consumers are more familiar with symbolic ethical attributes. According to a survey (SHRM 2007) about

Canadian companies' social responsible practices in 2007, one quarter of companies monitor global fair labor practices, while only 8% have CSR investments on product's raw materials. Because symbolic ethical attributes are more frequently used than utilitarian ethical attributes as company's CSR strategy, they will more easily come to consumer's mind and are considered more suitable to products. Another possible reason is that symbolic benefits are given more weight when consumers make a purchase decision on products with ethical attributes. Many people still believe that a company's social programs should be ethical and altruistic. Ethical attributes offering utilitarian benefits, which may boost sales, are not purely altruistic thus are not considered as a firm's CSR activities.

A benefit congruity between ethical attribute and product category is found to amplify evaluation, even for branded products. Results from our study are inconsistent with LeBoeuf and Simmons (2010) in which a brand is evaluated more positively when product attribute benefit is incongruent with product category benefit. Our study is different from LeBoeuf and Simmons' (2010) in that we examine the ethical attribute more carefully and separate it into utilitarian and symbolic benefits. We argue that the incongruent benefit effect in LeBoeuf and Simmons' (2010) studies was applicable only when consumers are familiar with product attributes and can very well anticipate attribute benefits. In the case of ethical attribute benefit, however, consumers are still not familiar with ethical attribute and its benefits. So products with ethical attributes will be best valued when ethical attributes provide the benefits congruent with product category benefit.

Products with ethical attributes are not evaluated differently when products have direct or indirect contact with consumers. One possible explanation is that the mere presentation of ethical attribute benefit as a contagion cue is not salient enough to activate contagion effect. Using positive contagion theory, we demonstrate that when ethical attribute benefit is congruent with the product category benefit, the congruent benefit is perceived as positive contagion cue and is transferred to consumers by touching the product. It is best supported by the three-way interaction in which the congruent benefit effect is significant only when products have direct contact with consumers. Perhaps indirect contact between the product and consumers inhibits transformation of congruent benefit. An interesting question could be how would less frequently touched products integrate CSR into product features. Mishra (2009) find that contagion effect is active when the source and the target are arranged close together, similarly, or symmetrically, even though they are placed physically apart. Our research shows that symbolic ethical attributes have better improvement on product evaluations. Therefore, when direct product experience is not available, both utilitarian and symbolic products should focus on social responsible attributes offering symbolic benefits. For example, companies can design packaging with green, natural, and clean look to stimulate CSR-related imagery.

The hypothesis that evaluations vary from people with different CSR-quality beliefs was not supported. In fact, half participants in our study believe that ethical attributes come at the expense of product quality, and they evaluate products with ethical attributes the same as the rest participants who believe that ethical attributes contribute to product quality. However, we did find that people who have CSR-quality trade-off belief is more sensitive to price-quality perception. 80% of them to some extent believe that

price is an indicator of product quality. Our study shows that for people who believe that ethical attributes come at the expense of quality, low price lead to perception of reduced quality and lower product evaluation. This study contributes to the current literature on individual attitude toward CSR, as it is the first study that finds it is price, rather than individual CSR-quality belief, that influences evaluation of products with ethical attributes. Our study suggests that firms should be cautious on setting price for ethical products. On one hand, people are unwilling to pay the price premium for ethical products (Barone, Miyazaki, and Taylor 2000), which suggest that ethical products should be set at a lower price to attract consumers. On the other hand, low price may trigger perception of reduced quality and have negative impact on product evaluation, especially among consumers who lack confidence on the quality of ethical products.

LIMITATIONS AND FUTURE RESEARCH

First of all, our research didn't investigate the underlying reason that people want products close to them to have ethical attributes. One possible reason is that the perceived risk associated with ethical attributes is high when products have direct contact with consumers. According to Mobley et al. (1995), consumer evaluations of products with ethical attribute are related to the perceived risk associated with the ethical attribute. For example, people are less willing to use facial tissue made of recycled paper than recycled greeting card, because it's easier to transfer possible germs and bacteria contained in recycled material to consumers through facial tissue. The risk associated with ethical

attributes may become more salient to consumers when the product has direct contact, such as taste or touch, with consumers.

In addition to this, research on sustainable consumption shows that attitudes toward sustainable products are not consistent with the actual purchase behavior (Moraes, Carrigan, and Szmigin 2012; Vermeir and Verbeke 2006, Boulstridge and Carrigan 2000). In a US national survey among nearly 2000 respondents, while 51% of the respondents said they would like to pay more for a product associated with social cause, only 20% actually bought a product with ethical attributes (Simon 1995). Factors such as price, quality, brand familiarity, and convenience are very important in purchasing sustainable products. It's interesting to investigate whether the attitude-behavior gap would be different between ethical attributes offering utilitarian benefits and symbolic benefits. If purchase intention is mostly driven by self-oriented and material-based benefits, perhaps there will be a smaller attitude-behavior gap on ethical attributes with benefits congruent with product category.

CSR investments in product offerings may not be a good CSR strategy for firms in industry with negative environmental reputations. Consumers resist social responsibility campaigns launched by alcohol, tobacco, and oil companies (Szykman 2004). When CSR is internalized into these products, consumers may be more suspicious of firms' motivation and negatively respond to CSR efforts. Another possible future research direction could be related to a company's motivation when products have ethical attributes. Sometimes consumers care less about what companies are doing than about *why* they are doing CSR activities (Gilbert and Malone 1995). A number of researchers have discussed firm's underlying motives as an important factor explaining consumer

responses to CSR activities (Barone et al. 2007; Becker-Olsen et al. 2006; Ellen et al. 2003; Rifon et al. 2004). Ellen et al. (2006) find that people attribute four types of motives to firm: values-driven attributions (e.g. caring about the society), strategic attributions (e.g. getting more consumers or increasing sales), egoistic attributions (e.g. taking advantage of CSR), and stakeholder-driven attributions (e.g. representing multi-stakeholder benefits). Future research could investigate various types of motives consumers attributed to products with ethical attributes and the impact of perceived motivations on product and company evaluations.

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