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Edited by N. Craig Smith, C. B. Bhattacharya, David Vogel and David I. Levine

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# Global Challenges in Responsible Business

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## 5 *Global segments of socially conscious consumers: do they exist?*

PAT AUGER, TIMOTHY M. DEVINNEY AND  
JORDAN J. LOUVIERE

### **Introduction**

There is little doubt that corporate social responsibility (CSR) has gained in importance over the last decade leading firms to develop increasingly sophisticated CSR strategies for their organizations.<sup>1</sup> The challenges facing managers are nothing short of daunting given the vast number of issues that fall under the rubric of CSR and the equally large number of often conflicting groups pressuring companies to be more socially responsible.<sup>2</sup> The situation is even more complex for large and well-known multinational enterprises (MNEs) with operations that often span the globe and expose the organization to a wide range of economic, social, development and political conditions.

To help managers deal with this complexity, researchers in the CSR area have focused their efforts on the 'corporate side' of CSR with studies examining issues such as the relationship between CSR and financial performance, the different strategic and governance configurations to best deploy CSR initiatives, or the emergence of corporate philanthropy, among others.<sup>3</sup> This focus on the corporation is sensible given that CSR emerged as a field of study to investigate the response of organizations to the demands of civil society.

However, a number of researchers have argued that consumers play a critical role and are a driving force behind the emergence of CSR programmes.<sup>4</sup> This view posits that organizations have implemented CSR primarily as a response to consumer pressure, either actual or potential. From this perspective, a firm's CSR activities require a

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better understanding of the views and preferences of customers with respect to social and ethical issues. This consumer-driven view of CSR implies that researchers also need to focus some their research efforts on the other CSR: Consumer Social Responsibility ( $C_NSR$ ).<sup>5</sup>

So far, most of the research on  $C_NSR$  (or, alternatively, ethical consumerism) has yielded mixed results in its quest to identify and characterize segments of socially conscious consumers, especially when the research is conducted in multiple countries. We believe that a significant obstacle to identifying socially conscious consumers has been in the methodology used to elicit the views and preferences of consumers. Specifically, the majority of the research findings on  $C_NSR$  are based on survey results that ask respondents to simply rate the importance of a list of social issues in a manner that is less than incentive compatible.<sup>6</sup> Such approaches do not force consumers to trade-off social features of products against traditional utilitarian features such as brand or price. Hence, it is not unreasonable to believe that traditional surveys may overstate the importance of social features, since there are clearly more socially acceptable answers.<sup>7</sup> For example, few people would answer that they do not care about the use of animal testing or the amount of pollution involved in the manufacturing of the products they consume when there is no cost in hiding their true preferences – a clear violation of incentive compatibility in instrument design. These survey instruments are thus unable to effectively discriminate between ‘actual’ socially conscious consumers and those who claim to be in surveys but do not behave accordingly at the checkout counter.

This lack of success at identifying segments of socially conscious consumers begs the question: do segments of socially conscious consumers really exist? Using data from a six-country choice experiment, we examined this important issue for two sets of products: AA batteries and athletic shoes. These experiments forced consumers to make trade-offs between functional product features (e.g. brand and price) and social product features (e.g. whether or not the product was manufactured by children). The two products utilized enabled us to examine a broad set of issues that covered environmental and labour issues. We used latent class finite-mixture regression analysis to identify and classify consumers into three distinct segments for each product, one of which was clearly populated by individuals who placed much greater value on socially acceptable products.

We also compared the segments on multiple dimensions to develop a better understanding of their basic nature and structure. We compared

the sizes (number of respondents) and the composition (identity of the respondents) of the segments of socially conscious consumers for batteries and shoes. This allowed us to investigate the salience of different social issues across different product categories and different purchasing contexts. Using socio-demographic data gathered from each respondent, we compared the three segments for differences in demographic characteristics such as country of origin, age, gender, income and so on. Finally, we examined how respondents’ knowledge of their most recently purchased batteries and athletic shoes differed between the two products and the three segments. We discuss several managerial and research implications based on the results of these and other analyses.

### The search for the elusive socially conscious consumer

In its broadest form,  $C_NSR$  can be defined as *the conscious and deliberate choice to make certain consumption choices based on personal and moral beliefs*.  $C_NSR$  ‘implies that individual consumers can have a significant role, through their daily purchase decisions, in promoting ethical corporate practices’.<sup>8</sup> Some of the ways by which consumers can accomplish this is by purchasing (or not purchasing) certain products and/or by paying more for more socially acceptable products. In general, research on  $C_NSR$  has focused on the latter issue, namely the impact of ethical and social issues on the purchase behaviour of consumers. Most commonly, the issues under investigation have included environmental (e.g. use of recycled materials) and labour issues (e.g. use of child labour). Though some researchers have argued that research on  $C_NSR$  is inherently unreliable,<sup>9</sup> most empirical studies have found that some consumers are willing to pay a premium for more socially acceptable products.<sup>10</sup> For example, Auger *et al.*<sup>11</sup> used choice experiments to examine the willingness of consumers in Hong Kong and Australia to pay for more socially acceptable products. Their results show that *some* consumers were willing to pay a premium for more socially acceptable products, especially for more sensitive issues such as the use of child labour and the use of animal testing. However, it was equally clear that consumers from both countries were not willing to sacrifice basic functional features for socially acceptable ones and this did not depend on whether they had supported social causes in the past.

Belk *et al.*<sup>12</sup> used video ethnography techniques with consumers from nine countries to get a deeper understanding of the underlying

rationale for the purchase (or non-purchase) of socially desirable products. Their results yielded several relevant contributions. First, they found that culture had a much a smaller effect on perceptions of consumption ethics than expected. Ethical beliefs across the countries in their sample were fairly consistent in the sense that individuals understood the dilemmas present in their failure to act upon their beliefs. Second, ethical behaviour on the part of businesses can influence ethical behaviour on the part of consumers. That is, a large number of consumers in their sample cited the apparent lack of ethical conduct by business as a rationale for their own behaviour. Third, although the lack of ethical purchasing behaviour was similar across cultures, consumers in different cultures rationalized that inaction in very different, culturally consistent, ways. Once again, these results were seen to persist across all the countries in their sample.

Though some of the studies mentioned above were able to determine that some consumers were willing to pay more for socially acceptable products, few were capable of properly segmenting and characterizing these socially conscious consumers. Auger *et al.* found few relationships between socio-demographic variables (e.g. age, gender and income) and the willingness of consumers to pay for more socially acceptable products. They found no significant relationships between common personality measures used in ethics research (e.g. Machiavellianism, idealism and moral relativism) and the willingness to pay for social 'goods'. Hence, two key results emerge from the literature on C<sub>N</sub>SR that follow from this research: 1) socially conscious consumers appear to exist and 2) those socially conscious consumers cannot be easily segmented using observable socio-demographic measures.

### Segmenting the socially conscious consumer

The results presented in this article came from experiments conducted in six countries – Germany, Spain, Turkey, the United States, India and Korea – with over 600 respondents. Our sample of consumers included only individuals who were representative of the middle class within their respective countries. The definition of 'middle class' was based on two criteria:

- (1) matching with the median income of a dweller in the city of interest; and
- (2) having the ability to purchase the products under investigation.

Table 5.1 Selected demographic characteristics of respondents by country

	United States	Germany	Spain	Turkey	India	Korea	Total
Age (median grouping)	30–39	30–39	30–39	30–39	30–39	30–39	30–39
Gender (per cent female)	60.6	52.5	59.4	50.5	49.0	70.0	57.0
Income (median grouping, \$000)	25–40	15–25	15–25	15–25	15–25	15–25	15–25
Education (per cent uni-educated)	20.70	8.90	22.60	62.70	60.80	39.00	35.70
Marital status (per cent married)	39.80	33.33	50.90	31.33	50.00	66.00	45.30
Sample size	99	100	106	100	100	100	605

We focused on middle-class consumers since they facilitated comparisons across countries by reducing the variations in income and education between respondents from developed and developing countries (i.e. we compared apples to apples). The use of middle-class respondents also ensured that all respondents had the financial means to purchase the most expensive product in our experiments, athletic shoes (branded athletic shoes now frequently sell for over \$100 putting them out of reach for a large number of consumers in developing countries). We selected the aforementioned countries to obtain variation in the level of economic development (i.e. developed, developing and middle income), geographical locations and cultures (i.e. languages, religions, etc.). These, and other similar variables, had been shown to affect social purchasing and ethical beliefs in prior research. Table 5.1 presents basic demographic information for our sample of respondents.

We used discrete choice modelling (DCM) to ascertain the degree to which socially responsible segments existed in those marketplaces. DCM allows researchers to infer the value consumers place on various attributes, not by asking them, but by looking at what they choose when presented with experimentally designed alternatives.<sup>13</sup> In our DCM experiments, described in Table 5.2, we created products with different levels of functional attributes (e.g. whether an athletic shoe had good or poor ankle support) and social attributes (e.g. whether or not child labour was used to make the shoe). All of the choices forced consumers to make trade-offs – products never had the highest level of both functional and social attributes, so consumers implicitly had to make trade-offs and we were able to measure the trade-offs they made.

We gathered data for two types of products: AA batteries and athletic shoes. We selected these two products for the following reasons. First, they enabled us to investigate the importance of two different sets of social issues, namely environmental issues for batteries and labour issues for athletic shoes. Second, the products were familiar to and purchased by all the consumers in our sample. Knowledge of the product categories and prior purchase experience were important since we also asked respondents to tell us about the attributes of their most recently purchased athletic shoes and batteries. Prior purchase experience also facilitated the experimental tasks since respondents already understood the nature of the product attributes. Third, the products differed in their level of consumer involvement in the purchase process. Athletic shoes are considered high-involvement products compared to batteries since consumer search is more intensive and the price more noticeable to the consumer.

Figure 5.1 shows examples of product variations that the respondent would be asked to examine. In the case of Shoe A versus Shoe B the trade-off is between price (\$40 vs. \$100), brand (Adidas vs. Reebok), country of production (China vs. Poland), two of the ethical features (minimum wages and working conditions) and four of the functional features (weight, ankle support, sole durability and breathability). In the case of Battery A versus Battery B the differences no longer include price but do include brand (Eveready vs. Energizer) and country of production (Poland vs. China), three of the ethical features (mercury/cadmium free, hazardous production waste and material recycling) and two of the functional features (useful life and storage

Table 5.2 *Functional and social attributes for athletic shoes and batteries*

Athletic shoes	AA batteries
<i>Functional attributes (levels of attribute):</i>	
Shock absorption/cushioning (Low or High)	Useful life (15 hours or 30 hours)
Weight (Lighter or Heavier)	Storage life (3 years or 5 years)
Ankle support (Low Cut or High Cut)	Is the expected spoilage date on the battery? (No or Yes)
Sole durability (Short or Long)	On-battery or on-package tester (No or Yes)
Breathability/ventilation (Low or High)	Money-back guarantee (No or Yes)
Fabrication materials (Synthetic or Leather)	Rechargeable (No or Yes)
Reflectivity at night (No or Yes)	
Comfort/fit (Low or High)	
Country of origin (Poland, China, Vietnam, domestic)	Country of origin (Poland, China, Japan, domestic)
Brand of shoe (Nike, Adidas, Reebok, Others)	Brand of battery (Energizer, Duracell, two others varied by country)
Price (\$40, \$70, \$100, \$130)	Price (\$1.30, \$3.30, \$5.30, \$7.30)
<i>Social Attributes (levels of attribute) (all are either Yes or No):</i>	
Is child labour used in making the product?	Is the battery mercury/cadmium free?
Are workers paid above minimum wage?	Is the battery made from recyclable materials?
Are workers' working conditions dangerous?	Is the package made from recyclable materials?
Are workers' living conditions at the factory acceptable?	Was hazardous waste created from the production process?
Are workers allowed to unionize?	Is safe battery disposal information contained on the package?

Note: Each respondent received a series of eight experimental tasks for each product. Overall, there were thirty-two possible versions of product types that the individual could have seen based on a  $2^N$  fractional factorial design. The experimental task was preceded by a short questionnaire pertaining to their knowledge of their last purchase and was followed by a standard battery of socio-demographic questions.

Features of the Shoes	Features of Shoe A
Shock absorption/cushioning	High
Weight	Heavier
Ankle support	Low cut
Sole durability	Short
Breathability/ventilation	Low
Fabrication materials	Synthetic
Reflectivity at night	Yes
Comfort/fit	Low
Is child labour used in making the product?	Yes
Are workers paid above minimum wage?	Yes
Are workers' working conditions dangerous?	Yes
Are workers' living conditions at the factory acceptable?	No
Are workers allowed to unionize?	Yes
Country of production	China
Brand of shoes	Adidas
Price	\$40
1. If the shoes described above were available in your local shops now, would you consider trying it (Tick ONE box only)? <input type="checkbox"/> No <input type="checkbox"/> Yes	
2. If the shoes described above were available in your local shops now, would you buy it instead of or in addition to your current shoes next time you shop for shoes (Tick ONE box only)? <input type="checkbox"/> No <input type="checkbox"/> Yes	

Features of the Shoes	Features of Shoe B
Shock absorption/cushioning	High
Weight	Lighter
Ankle support	High cut
Sole durability	Long
Breathability/ventilation	High
Fabrication materials	Synthetic
Reflectivity at night	Yes
Comfort/fit	Low
Is child labour used in making the product?	Yes
Are workers paid above minimum wage?	No
Are workers' working conditions dangerous?	No
Are workers' living conditions at the factory acceptable?	No
Are workers allowed to unionize?	Yes
Country of production	Poland
Brand of shoes	Reebok
Price	\$100
1. If the shoes described above were available in your local shops now, would you consider trying it (Tick ONE box only)? <input type="checkbox"/> No <input type="checkbox"/> Yes	
2. If the shoes described above were available in your local shops now, would you buy it instead of or in addition to your current shoes next time you shop for shoes (Tick ONE box only)? <input type="checkbox"/> No <input type="checkbox"/> Yes	

Figure 5.1 Examples of choice tasks for athletic shoes and AA batteries

life). In the case of all the products two questions were asked: a consideration question and a will-purchase-now question.

Figures 5.2 and 5.3 show the results of our primary data analyses for batteries and shoes, respectively. Our analyses consisted of a relatively sophisticated type of regression analysis referred to as latent class finite-mixture regression analysis (LCM). LCM allows for the classification of individuals into segments (called classes) and develops regression models for each of the segments simultaneously. These segments are referred to as latent segments since their formation does not depend on a group of pre-specified clustering variables (as is the case in traditional clustering methods). Instead, the latent segments are formed with discrete unobserved variables, which greatly improve the ability of researchers

Features of the Batteries	Features of Battery A
Useful life (in a CD or cassette player)	30 Hours
Storage life (how long the battery can last when not used)	3 years
Is the expected spoilage date on the battery?	Yes
On-battery power indicator or on-package tester	Yes
Money-back guarantee	Yes
Rechargeable	No
Is the battery Mercury/Cadmium free?	Yes
Was hazardous waste created from the production process?	Low
Is the battery made from recyclable materials?	No
Is the package made from recyclable materials?	No
Is safe battery disposal information contained on the package?	Yes
Country of origin	Poland
Brand of battery	Eveready
Price (4-pack)	\$5.30
1. If the batteries described above were available in your local shops now, would you consider trying it (Tick ONE box only)? <input type="checkbox"/> No <input type="checkbox"/> Yes	
2. If the batteries described above were available in your local shops now, would you buy them instead of or in addition to your current batteries next time you shop for batteries (Tick ONE box only)? <input type="checkbox"/> No <input type="checkbox"/> Yes	

Features of the Batteries	Features of Battery B
Useful life (in a CD or cassette player)	15 Hours
Storage life (how long the battery can last when not used)	5 years
Is the expected spoilage date on the battery?	Yes
On-battery power indicator or on-package tester	Yes
Money-back guarantee	Yes
Rechargeable	No
Is the battery Mercury/Cadmium free?	No
Was hazardous waste created from the production process?	Yes
Is the battery made from recyclable materials?	Yes
Is the package made from recyclable materials?	No
Is safe battery disposal information contained on the package?	No
Country of origin	China
Brand of battery	Energizer
Price (4-pack)	\$5.30
1. If the batteries described above were available in your local shops now, would you consider trying it (Tick ONE box only)? <input type="checkbox"/> No <input type="checkbox"/> Yes	
2. If the batteries described above were available in your local shops now, would you buy them instead of or in addition to your current batteries next time you shop for batteries (Tick ONE box only)? <input type="checkbox"/> No <input type="checkbox"/> Yes	

Figure 5.1 (cont.)

to identify meaningful segments in circumstances where observed variables (e.g. socio-demographics) have proven to be ineffective.

The figures present the standardized coefficients for the latent class models of product attributes on choice (i.e. the decision of whether or not to purchase a specific product). We also included six markers to indicate commonly-used levels of significance (i.e.  $p = 0.05$ ;  $p = 0.01$ ;  $p = 0.001$ ) for easier interpretation of the results. Basically, all coefficients, with the exception of price, beyond the first marker ( $p = 0.05$ ) are considered significantly different from zero (for price, we show price elasticity and all price coefficients were significant at the 0.05 level). For example, in the case of batteries (Figure 5.2), the brand Eveready is not significant for any group (it is below the 0.05 marker). Also, one group is enormously price sensitive (with a coefficient of nearly  $-6$ ), with the other two groups quite low in terms of price



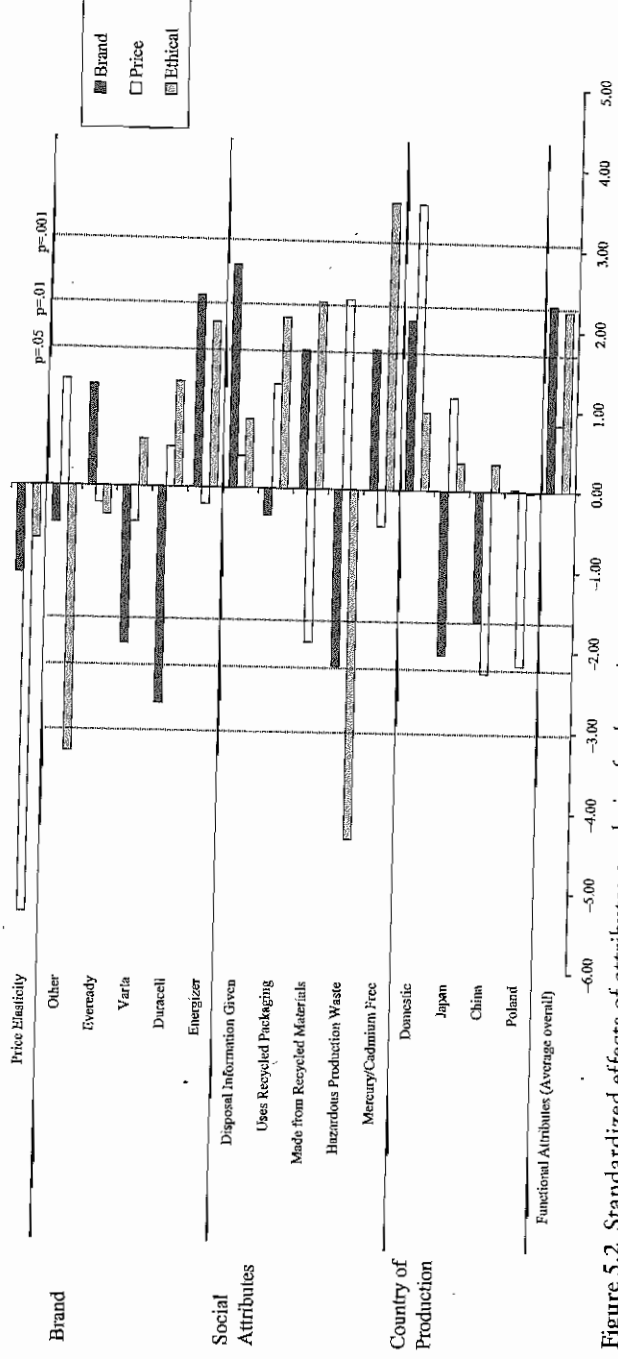


Figure 5.2 Standardized effects of attributes on choice for batteries

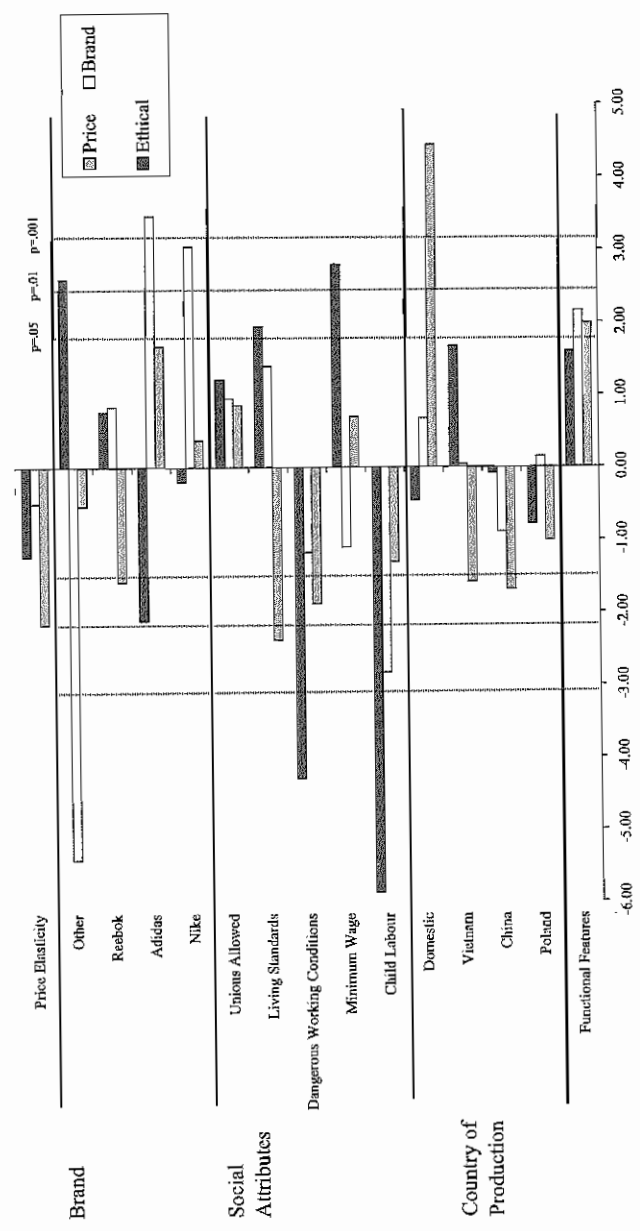


Figure 5.3 Standardized effects of attributes on choice for athletic shoes



responsiveness. In the case of athletic shoes (Figure 5.3), the fact that the product is made in Poland is also not significant for any group. In the case of child labour, one group reacts extremely strongly to the existence of child labor (the coefficient is approximately  $-6$ ), one group moderately strongly (the coefficient is approximately  $-3$ ) and one group not strongly at all (the coefficient is slightly above  $-1$ ).

Our results show that respondents for both products can be categorized into three distinct segments. Intriguingly, the three segments for both products have very similar structures, allowing us to label them with the same descriptors, namely brand, price and ethical. These descriptors were selected by examining the dominant set(s) of attributes (i.e. the attributes with the largest standardized coefficients) within each segment.

Respondents in the 'brand' segment placed greater importance on brand (either positively or negatively) than respondents in the other two segments. This is especially apparent for athletic shoes where respondents in the brand segment valued the Nike and Adidas brands highly and also had high negative valuation for the 'other brand'. These individuals also display relatively low price sensitivity (especially for shoes), which is consistent with the brand-conscious consumer who is willing to pay a premium for his/her preferred brand.

On the other hand, respondents in the 'price' segment were very sensitive to price. This is especially the case for batteries. Respondents in the price segment also placed a much greater level of importance on the country of origin of the products, exhibiting a high level of positive domestic country bias.<sup>14</sup> This domestic country bias is especially pronounced for shoes, but is also large for batteries. Hence, this second segment is best described as highly price sensitive with a strong domestic country bias.

The third and most relevant segment from the standpoint of this chapter is the 'ethical' segment. Figures 5.2 and 5.3 deliberately present more details on the social attributes than the functional attributes to facilitate a more in-depth discussion of the former. We grouped all functional attributes (with the exception of brand and price) into a single category to simplify the presentation of the results. This is not to suggest that the functional attributes are unimportant, they are for both products. We present it this way simply to draw more attention to the social attributes given the focus of this chapter.

Interesting results emerge from a closer examination of the ethical segments. The first, and obviously more important, is the existence of

the ethical segments. The two figures clearly reveal that respondents in the ethical segment for each product placed much greater importance on the social attributes than respondents in the other two segments. It is also important to note that the wording for the social attributes (see Table 5.2) is a mixture of 'positive' and 'negative' statements. We did this to ensure that respondents took the experimental task seriously and paid close attention to the levels of each attribute. All coefficients for the social attributes in the two ethical segments are in the correct and expected direction. That is, the signs of the coefficients indicate that the respondents in the ethical segments favoured products that were more 'socially desirable', no matter how expressed in the experiments.

Though we do not show the demographic break-up of the segments, there are no identifiable differences in demographic characteristics between the segments beyond some differences in nationality to be discussed in a later section. We found very few meaningful differences in age, income, education, marital status and gender between our three segments for both products. This confirms earlier work that simple segmentation strategies based on socio-demographics are not well-suited to understanding socially conscious consumers. It also highlights the strength of latent class finite-mixture regression analysis in tapping unobserved homogeneity based on behaviour and helps understand the relative lack of success at identifying segments of these consumers in previous research.

Second, the two products show very similar patterns with respect to the importance of the social attributes within the ethical segments. In fact, four of the five social attributes are considered to be relatively more important by the respondents in the ethical segments than by the respondents in the other two segments for both products. The only two social attributes that were not are 'the availability of disposal information' for batteries and 'the ability to form unions' for athletic shoes. Furthermore, each product has two social attributes that dominate the others within the ethical segments. For batteries, the two attributes are hazardous production waste and whether or not the battery is mercury/cadmium free. For shoes, the two most important social attributes are child labour and dangerous working conditions.

Though the specific nature (i.e. their identity) of the more important social attributes within each product category is only relevant for managers in those two industries, the differences in the relative importance of social and functional attributes have important implications for a much broader pool of managers. It is clear from our results that not

all social attributes have equal effect on consumer purchase decisions. This is a somewhat obvious result, but one that has serious implications for managers designing CSR strategies. This result suggests that it is critical for managers to not only understand the social issues that are especially important for their customers but also to avoid CSR strategies that are too broad or try to cover too many issues. What our respondents demonstrated is that there are segments of socially conscious consumers, but that they do not value equally all social issues associated with a particular product. As such, our results would strongly favour a more 'focused' CSR strategy over one that attempts to do too much or does not address the more salient social issues.

Figures 5.2 and 5.3 also reveal that the functional attributes, including brand and price, are not irrelevant to respondents in the ethical segments. For example, respondents in the ethical segment for shoes still react to price as expected and to a much greater extent than for respondents in the brand segment. They also have a preference for alternative brands versus more well-known brands such as Nike and Adidas. Similarly, respondents in the ethical segment for batteries have a clear brand preference for Energizer and tend to value the functional attributes (as a group) as highly as the respondents in the brand segment (and much more highly than respondents in the price segment). What this suggests is that managers cannot simply ignore the core functional attributes of their products to create more socially acceptable ones. In other words, consumers do not appear willing to sacrifice functionality for social desirability. What these consumers are telling us is that they purchase products to fill a certain basic set of needs and that no amount of social desirability is likely to compensate for a failure to meet these basic needs.

Overall, this first set of analyses yielded three important results. First, segments of socially conscious consumers do exist and they exist for consumers who value products that are more socially desirable with respect to environmental and labour issues. However, these segments of socially conscious consumers do not differ from the other two segments with respect to common socio-demographic characteristics. Hence, segmentation methods that rely on traditional socio-demographics are bound to come up short in identifying these groups. Second, consumers within these 'ethical' segments placed different levels of importance on different social attributes. This implies that not all social product initiatives resonate equally

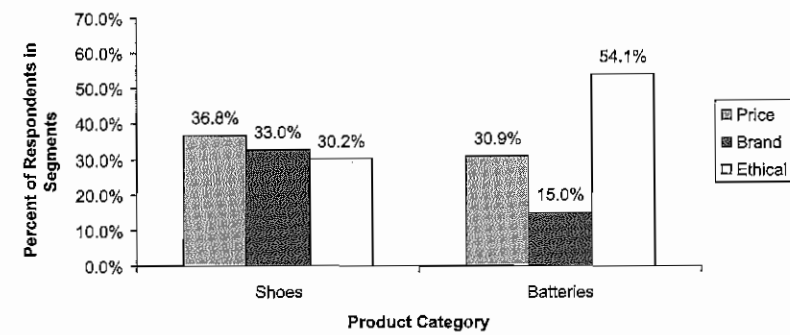


Figure 5.4 Membership in segments by product

well with consumers and that managers would be better off focusing on the one (or few issues) that has (have) the most potential. Third, functional attributes are important to the respondents in the ethical segments. Hence, managers cannot discount the basic needs that their products are fulfilling for their customers to create more socially desirable products. In effect, functional and social attributes must work hand-in-hand to create additional value for customers.

#### *The size of the segments*

As mentioned in the previous section, our methodology enabled us to classify each respondent into a specific segment. Figure 5.4 presents the distribution of respondents among the three segments for both products. For example, the results for athletic shoes indicate that 36.8% of respondents were in the price segment while 33.0% and 30.2% of respondents belonged to the brand and ethical segments, respectively. It is important to point out that these percentages for the ethical segments do not represent potential market shares for socially desirable products for two important reasons. First, our samples only included respondents from the middle class so that they were not representative of the entire populations of the countries under investigation. Second, social product features alone are not sufficient as was discussed in the last section. The ethical segments were populated by individuals who placed relatively greater importance on the social attributes, but they also valued brand and some of the other functional attributes as well.

What these percentages enable us to do is to comment on the relative sizes of the ethical segments between the two product categories since the same respondents took part in both experiments. It is clear

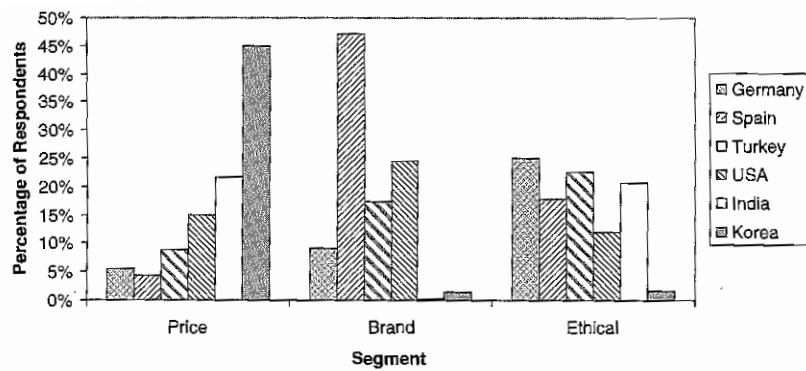


Figure 5.5 Country membership by segment for batteries

from Figure 5.4 that the ethical segment for batteries (54.1%) is much larger than the ethical segment for shoes (30.2%). Several possible explanations can help shed light on these differences and we now discuss two for illustration purposes. First, environmental issues tend to have a more direct impact on consumers than labour issues. For example, the consumption (and eventual disposal) of a battery with mercury or cadmium will have a direct effect on the consumer's physical environment by introducing these metals into the environment. By purchasing more environmentally friendly batteries, customers are thus contributing to the creation of a better environment for themselves. The same cannot be said of labour issues since the majority of consumers are not directly involved in the production of athletic shoes. As such, labour practices and conditions may often seem very remote for most consumers (something confirmatory of Belk *et al.*).

Second, environmental attributes tend to be more 'functional' than labour attributes. That is, environmental attributes can influence product performance and utilization (e.g. disposal of the battery). On the other hand, labour issues have little or no functional impact for the consumer. That is, it is impossible to tell the difference between two athletic shoes that were produced under different labour conditions. Hence, the additional functionality of environmental attributes could contribute to their higher relative valuations.

#### *Differences in segment membership by country*

Figures 5.5 and 5.6 show the distribution of respondents for the three segments by country. These analyses show that the segments are, in

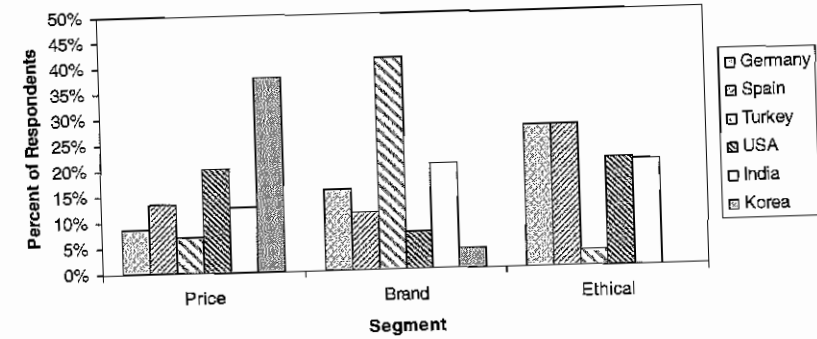


Figure 5.6 Country membership by segment for athletic shoes

general, not country specific. That is, all three segments have representatives from all six countries for both products with the exception of the ethical segment for shoes, which does not contain any respondents from Korea. However, the figures also show fairly large differences in the proportions of respondents from specific countries in specific segments. For example, the price segments for both shoes and batteries are clearly dominated by Korean respondents who comprise 38% of the segment for shoes and 45% of the segment for batteries. Similarly, Spanish respondents make up a much greater proportion of the brand segment for batteries (47%) while Turkish respondents dominate the brand segment for shoes (41%).

For their part, the ethical segments (for both shoes and batteries) show much more similar patterns of membership across the countries. Five countries – Germany, Spain, the United States, India and Korea – contribute very similar proportions of respondents to the two ethical segments. The first four countries contribute a relatively high and similar proportion of respondents to the two ethical segments while Korea contributes a relatively low proportion of respondents to both ethical segments. Turkey is the only country to show an inconsistent pattern of contribution, with a relatively high contribution for batteries (similar to Germany, Spain, the United States and India) and relatively low for shoes (similar to Korea).

Overall, our results show fairly consistent patterns in membership to the ethical segments across countries at the aggregate level. Furthermore, membership in the ethical segments tends to be more evenly distributed across the countries than for the other two segments. For example, the price segments tend to be dominated by Korean respondents for both products while Spaniards and Turks dominate the brand segments for

... and shoes, respectively. These results suggest that preferences for social products may be much more global than previous research on C<sub>N</sub>SR and consumer ethics has suggested.<sup>15</sup> In other words, cultural differences may not impact the importance consumers place on social issues as much as has been suggested in previous work. In fact, work by Auger *et al.*<sup>16</sup> using best-worst scaling methodology strongly supports the notion that the importance of culture may be overstated when it comes to views on social and ethical issues. They found that the preference orderings of consumers with respect to sixteen social and ethical issues showed very similar patterns across a number of countries. That is, the similarities in preference orderings for the social and ethical issues between countries far outweighed their differences. What is unique about their research is that they utilized experimental methodologies that are specifically designed to reduce erroneous differences due to inappropriate measurement instruments when comparing responses from multiple countries.

The results presented above show that the proportions of respondents from the different countries that make up the ethical segments are similar. However, these analyses only show the contributions from countries at the aggregate level. They do not show if the individuals in the two ethical segments (i.e. the ethical segments for shoes and batteries) are the same. In other words, are the individuals populating the ethical segments consistently showing preferences for social products? Or are the individuals in the two ethical segments different? These issues are discussed in the next section.

### The socially conscious consumer

One of the more interesting and enlightening analyses is to determine to which segment each respondent belonged across the two product categories. To accomplish this we created nine pairs of segments that cover all possible combinations of segments between batteries and shoes. Figure 5.7 presents the distribution of respondents among these nine segment pairs. For example, the first pair on the left labelled 'price-price' signifies that respondents in that segment pair belonged to the price segment for both batteries and shoes. Hence, the figure indicates that 19 per cent of our sample was influenced primarily by price (and country-of-origin) for the purchase of both batteries and shoes. Similarly, the next segment pair, 'price-

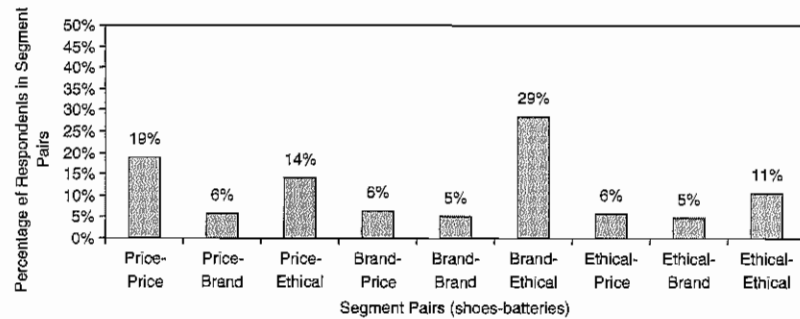


Figure 5.7 Memberships for segment pairs

brand', indicates that roughly 6 per cent of our sample belonged to the price segment for shoes and the brand segment for batteries.

Of greater interest is the segment pair at the righthand-side of the chart, the 'ethical-ethical' pair. Here, we see that only about 11 per cent of our sample was influenced primarily by social issues for the purchase of both batteries and athletic shoes. The implications of these results are important and consistent with some of the more recent research on C<sub>N</sub>SR. First, the results strongly support the notion that individuals cannot simply be labelled as 'socially conscious' across product categories. That is, an individual who values environmental issues does not necessarily value labour issues, and vice versa. This suggests that social purchasing is most probably issue and context specific. That is, individuals may react positively to more socially desirable products given the right set of issues, the right product and the right purchasing context. This is critical for managers charged with designing CSR strategies. Our results reveal that consumers are concerned about very specific issues and are unlikely to react to social product features that are 'too broad' or lack functional relevance. Hence, it is important for managers to focus their efforts on a single (or very small number of) issue that can be linked psychologically to their product/service offering.

Second, these results support the use of more sophisticated research methods, especially 'incentive compatible' methods that force consumers to trade-off social features against functional features such as price and brand. We believe that simply asking respondents about their views on social issues with unconstrained survey instruments, such as simple rating scales, leads to an overestimation and muddled picture of the importance of these issues. Respondents may feel embarrassed or unwilling to reveal their true preferences for fear of being

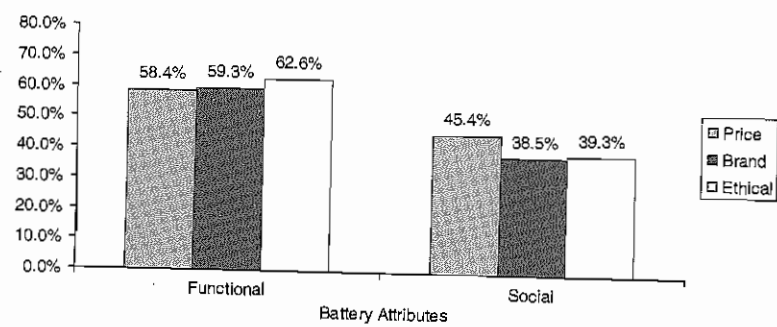


Figure 5.8 Percent knowing about most recent purchase by segment for batteries

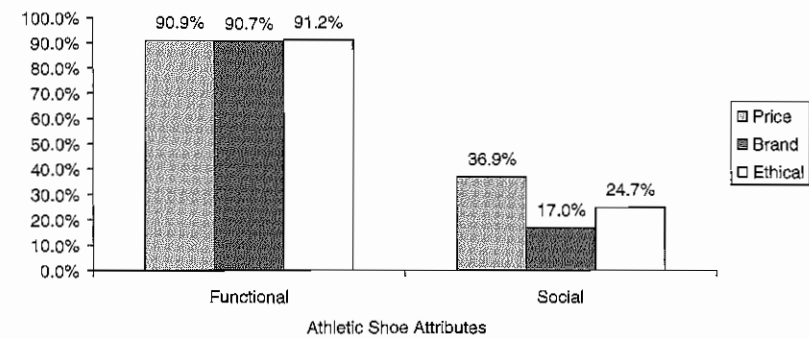


Figure 5.9 Percent knowing about most recent purchase by segment for athletic shoes

judged negatively, leading to a social desirability bias.<sup>17</sup> Hence, forcing respondents to make 'hard choices' about purchases greatly reduces the chances that they will disguise their preferences and should lead to more reliable estimates. Managers should not only be concerned about the views of consumers with respect to social issues, but more importantly if these consumers are willing to pay for more socially acceptable products. Hence, the use of experimental methodologies, such as the ones presented in this chapter, could help reduce some of the problems associated with the social desirability bias. Furthermore, managers and researchers should be cognisant that the social desirability bias is not only problematic when studying social and ethical issues, but can be a factor whenever sensitive issues are under investigation.<sup>18</sup> Hence, researchers and managers should exercise caution when interpreting results from surveys about these sorts of issues.

### Consumer knowledge about social issues

One of the tasks in our experiments required respondents to tell us about their most recent purchases. Specifically, we asked respondents to indicate the levels of attributes (the same attributes and levels as in our choice experiments; see Table 5.2) for their most recent purchase of batteries and athletic shoes. For this task, respondents also had the choice to answer 'don't know' if they did not know or were not sure about the levels of specific attributes.

Figures 5.8 and 5.9 show the percentage of respondents by segment who knew about the functional and social features of their most recently purchased batteries and athletic shoes, respectively (see

Table 5.2 for a list of functional and social attributes). The percentages presented are averages for the two groups of attributes and do not include knowledge of brand and price (almost 100 per cent of respondents remembered the level of these two attributes for both products).

A number of interesting results emerge from these two figures. First, the percentage of respondents who knew the functional attributes of athletic shoes (almost 91 per cent overall) is much greater than the percentage for batteries (roughly 60 per cent overall). These differences between shoes and batteries are consistent with high and low involvement products. Basically, an athletic shoe is a higher involvement product, which implies that consumers are more likely to spend time researching it. Hence, one would expect that consumers would be more knowledgeable about and better remember the features of the higher involvement product. Our data clearly support this conclusion and demonstrate that respondents were taking our experimental tasks seriously.

Second, the percentage of respondents who knew about the social attributes of batteries (about 40 per cent overall) is much greater than the percentage for shoes (roughly 26 per cent). Furthermore, there is much greater variation in the level of knowledge about social issues between the three segments for shoes than for batteries. For the former, the results are consistent with our earlier explanation about the greater percentage of respondents in the ethical segment for batteries versus shoes. Especially relevant here is the notion that environmental attributes such as 'mercury-free' are much more 'functional'



than labour attributes such as the use of child labour. Moreover, the nature (or level) of environmental attributes is often revealed on the packaging. For example, it is unusual to see battery packaging that indicates if the packaging is made from recycled materials or if the battery is free of cadmium. On the other hand, one never sees a box of athletic shoes that specifies whether or not the product was manufactured by children or if employees involved in the production of the shoes were paid above minimum wage.

The results pertaining to the greater variation in knowledge about social issues for shoes are more difficult to explain. One possible explanation is that consumers who purchase products primarily on price tend to conduct more thorough research to identify the lowest priced products. Hence, these consumers become better informed about social features during that more extensive research process. This would explain why the respondents in the price segments for both batteries and shoes indicated a greater level of knowledge about the social attributes of their most recently purchased products. However, it would not explain the similar level of knowledge across the three segments about the functional features.

Another explanation is more specific to our sample and would suggest that our Korean respondents, who make up a large proportion of the respondents in the price segments, are simply better informed about social attributes of the products they purchase. Both of these explanations clearly require additional research.

What is clear from the results is that consumers are generally unaware about the social attributes associated with athletic shoes and moderately unaware about the social attributes of batteries. Hence, we can infer that individuals may not possess enough knowledge to make socially responsible choices. The implications are that managers need to communicate and educate consumers more effectively about their CSR strategy if they wish to impact consumer purchase decisions. As we discussed previously, more effective communication is especially important for issues that are more important to consumers. What we suggest is that consumers must be informed in a way that fits effectively with the issues they care most about. Hence, consumers concerned about child labour are more likely to respond to a campaign focused specifically on child labour than to a general labour rights issue campaigns emphasizing living conditions, wages, unionization *and* child labour.

## Conclusions

The growing importance of CSR for companies around the world implies that consumers are increasingly expecting the corporate world to behave in socially conscious ways. This notion of consumer-driven CSR has received some support from the emerging literature on C<sub>N</sub>SR with a number of studies showing that some consumers are willing to pay a premium for more socially desirable products. However, most of these studies have had less success at determining whether these consumers existed, and if they did, what characterized them.

This chapter presented the results of a six-country empirical study that aimed to identify segments of socially conscious consumers using a combination of choice experiments and latent class finite-mixture regression analysis. For the products studied, results suggest that these segments do exist and that consumers within these ethical segments placed different levels of importance on different social issues. The results also show that respondents in the ethical segments valued some of the functional attributes and did not differ significantly on socio-demographic characteristics than respondents in the other two segments (i.e. brand and price). This implies that managers need to utilize a focused approach to CSR strategy by stressing the one (or few) issues that are especially salient to their consumers. Our research also suggests that simple segmentation strategies may not be appropriate when trying to identify socially conscious consumers. It is also clear from our analyses that environmental issues tended to influence a greater number of consumers' purchase decision than labour issues. These results highlight the greater salience of social attributes that have a more direct impact on consumers and are more functional in nature.

One of the more interesting results seen here is that only a small percentage of our sample (about 11 per cent) belonged to the ethical segments for both batteries and shoes. This suggests that consumers cannot simply be labelled as socially conscious across product categories. It also highlights the importance of the specificity of social issues and purchasing context as determinants of social purchasing. Our analyses uncovered differences in segment membership between the six countries in our study, but fewer differences in the composition of the ethical segments than in the other two segments. In general, our results strongly suggest that culture may not affect social purchasing as much as has been reported in previous research.

Finally, our research uncovered large differences in the knowledge that consumers possess about the social attributes of the products they purchase. Our analyses showed that consumers had much less knowledge about labour issues than environmental issues. This was expected and easy to explain given the nature of environmental attributes. However, the relatively low level of knowledge about social issues in general (for both batteries and shoes) suggests that organizations need to communicate more effectively with their customers. Failure to do so may reduce the impact of their CSR strategy.

Overall, we have hopefully clarified and shed additional light on a number of issues associated with social purchasing and the search for the socially conscious consumer. We believe that three implications are especially important for managers associated with the development of CSR strategy and researchers in the CSR area. First, managers need to carefully select a single social issue (or a few at most) on which to concentrate their CSR efforts and ensure that the selected issue has relevance for their customers. The selected issue must also be tied psychologically to the product to make it more functional and hence more relevant. Second, managers and researchers must exercise great care when using the results of consumer surveys on social purchasing. Sensitive issues tend to lead to social desirability biases when the survey instrument does not force consumers to make trade-offs. Therefore, we believe that research must not only focus on the views of consumers, but more importantly, on their willingness to pay for more socially desirable products. Put differently, research must not only investigate attitudes, but more importantly, behaviour. Finally, a large number of consumers are unaware of the social features of the products they purchase. Hence, an important aspect of an effective CSR strategy is the communication, persuasion and education processes that are required to ensure that consumers understand the nature of the social attributes.

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## 6 Impact of CSR commitments and CSR communication on diverse stakeholders: the case of IKEA

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ADAM LINDGREEN

For many researchers and observers alike, it remains difficult to understand fully how organizations design their corporate social responsibility (CSR) policies and communicate them to different stakeholders. They also have trouble determining different stakeholders' complex perceptions of and attitudes towards the organization, which means managerial guidelines are virtually nonexistent in this important area. Although prior work focuses on organizational commitment to and communication with customers, employees and prospective employees, and financial investors,<sup>1</sup> it often fails to consider other stakeholders, such as trade unions and non-governmental organizations (NGOs) whose influence over CSR policies continues to grow.<sup>2</sup> Furthermore, previous studies generally address one type of stakeholder, which prevents them from offering an overall analysis of the value of commitment and communication in CSR. We contribute to the literature by reporting on one organization's CSR commitments and communications; we achieve this by taking into account the influences and the reactions of an organization's different stakeholders.

Specifically, we report on IKEA's CSR commitments and communications and their relation to the organization's different stakeholders, which enables us to examine stakeholders' perceptions of and attitudes towards IKEA and its CSR policies and thereby gain an understanding of how stakeholders themselves influence CSR commitments and communication. By including a variety of stakeholders, our case approach provides insight into the dynamics that occur among stakeholders. We structure the remainder of this chapter as follows. First, we review the literature. Second, we provide details of the case organization developed for this study. Third, we present and discuss the findings. Fourth and finally, we identify some theoretical