

The Other CSR: Consumer Social Responsibility*

Timothy M. Devinney (Contact Author)

Australian Graduate School of Management
Sydney, NSW 2052 Australia

+61 (2) 9931 9382 (phone)

+61 (2) 9663 4672 (fax)

T.Devinney@agsm.edu.au

Pat Auger

Melbourne Business School
Carlton VIC 3053 Australia

P.Auger@mbs.edu

Giana Eckhardt

Australian Graduate School of Management
Sydney, NSW 2052 Australia

Gianae@agsm.edu.au

Thomas Birtchnell

Centre for the Mind
Sydney University
Sydney NSW 2006 Australia

tom@centreforthemind.com

* We would like to thank those associated with this research, in particular Russell Belk, Jordan Louviere and Paul Burke. We also acknowledge the support of the Australian Research Council for its support of the projects outlined herein.

The Other CSR: Consumer Social Responsibility

Recent evidence suggesting consumers don't pull their own weight when it comes to ethical consumerism means that it can be somewhat of a pyrrhic victory for companies seeking to spruce up their social credentials. We discuss the extent to which an onus lies with consumers to help corporations make concrete changes in social responsibility by sticking to their side of the bargain.

ETHICAL CONSUMERISM has evolved over the last 25 years from an almost exclusive focus on environmental issues to a concept that more broadly incorporates matters of conscience. During this same period we have witnessed a growing debate about the importance of ethical consumerism and particularly the impact large-scale strategies have on consumer awareness and spending. Recent star-spangled initiatives such as Project Red – an initiative launched in 2006, spearheaded by U2's Bono and politician Bobby Shriver, in which major brand such as the Gap and Giorgio Armani subbrand some of their products with the Red label and donate the proceeds to AIDS funds – are a direct assault on large companies' social responsibilities in manufacturing, retail and spending and purport to satisfy a huge public desire for ethical products.

Yet such high profile activities hide the effectiveness and limited uptake of products with ethical dimensions, leaves many company executives expressing private uncertainty about the financial efficacy of ethical consumerism and the role of their customers in sharing obligations to social ethics. Although corporations and policy makers are bombarded with international surveys purporting to show that average consumers do care for ethical products, lingering doubts remain as survey radicals turn into economic conservatives at the checkout. In the case of Project Red, Stephan Shakespeare, CEO of YouGov, a British market-research firm, notes that “[w]hen we look at the impact of Project Red on these so-called superbrands ... the scores are as flat as a pancake and the British public hasn't reacted in the manner that these companies, at least in private, would have hoped for.... [There exists a level of consumer apathy] towards Project Red, which even Bono can't overcome.”¹

To us, what is interesting about the rise of Corporate Social Responsibility (CSR), and the discussions around the nature of civil society, is the extent to which it skirts almost completely the role played by the everyday individual as a worker, consumer, or simply interested or uninterested bystander. Like many political debates it is very easy to lose site of the common man and woman, except as they appear periodically as statistics in a poll or as stereotypical self-interested consumers

or downtrodden third world sneaker factory workers. It is our contention that it requires far more for a society to become “civil” or a corporation to become “socially responsible” than for its political or economic leaders to espouse a viewpoint, however noble and high minded and no matter what the source. Corporations and societies become responsible in large part because the average individual understands and acquiesces to the position reflected by social and corporate leaders and will engage in behavior consistent with that belief.

It is our opinion that we need to focus on the other CSR – *Consumer Social Responsibility* – and ask some difficult questions. Are we as individuals as noble as we say in the polls? Are we truly willing to sacrifice for the higher cause? Or is it simply someone else’s responsibility? How can we demand from corporations and governments a model of behavior that we ourselves fail to follow?

For corporations the answers to these questions are critical. A reactive model of consumer social responsibility requires little more than corporations “discovering” consumers social needs and wants and reacting to these by creating the relevant products and services. A proactive model of consumer social responsibility implies that corporations either create opportunities where consumers latent needs and wants can be realized or define specifically what those needs and wants should be and actively work to push them into the marketplace.

For social advocates the above questions may appear insulting; after all, individuals do willingly give to specific causes. Does this not reveal their social preferences? Unfortunately, there is little research that informs us as to why they give to such specific causes when they do. Why, for example, did the 2004 Tsunami lead to such massive giving, while the equally devastating 2005 Pakistan earthquake led to little interest? Clearly human misery had little to do with the outpouring of support. How much of our giving is related to the way in which the cause is marketed or the corporate affiliations to that cause? How much is context and timing? How might such giving reveal to us the more general demands of consumers for social components of products?

It is our contention that without a rational, rather than idealized, model of consumer social responsibility, the moral foundations of corporate social responsibility are limited and will remain little more than corporate acquiescence to social special interest groups. Although framed in all the right language corporate social responsibility will be viewed as a necessary cost rather than a corporate opportunity.

What is Consumer Social Responsibility (C_NSR)?

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*. It includes two basic components: (1) an ‘ethical’ component relating to the underlying importance of the non-traditional and social components of a company’s products and business processes; and (2) a ‘consumerism’ component that implies that the preferences and desires of consumer segments are partially responsible for the increasing influence of ethical or social factors.

C_NSR shows up in three ways:

- (1) expressed activity with respect to specific causes – such as donations or willingness to be involved in protests and boycotts;
- (2) expressed activity in terms of purchasing or non-purchasing behaviour; and
- (3) expressed opinions in surveys or other forms of market research.

(1) can be seen in recent, highly publicized developments such as the increasing number of large-scale protests directed at multinational corporations and international organizations. In fact, demonstrators have often become the main focus of news reports during large-scale meetings such as those of the WTO, World Bank, IMF, G7, UN and World Economic Forum. The meeting of the World Bank in Hong Kong in December 2005 offers a perfect example. Most of the news reports did not focus on the substantive issues discussed at the meetings, but on the frequent clashes between anti-globalization protesters and the Hong Kong police. Who can forget the sight of a large number of South Korean farmers jumping into the polluted waters of Hong Kong harbor in protest against globalization initiatives?

(2) can be seen in the low levels of purchasing of “ethical” goods, in contrast to the enthusiasm shown in (1). For example, although consumer activism and pressure from NGOs led to Starbucks prominently displaying and selling fair trade coffee, the sales levels have been much lower than expected and demand has remained relatively flat since its introduction in 2001.² And despite the enthusiasm shown for “fair trade activities”, such products rarely account for anything but a miniscule percentage of the market, normally 1% to 2% and where they do account for more market share, it is generally due to the activities of retailers rather than consumers.³ Further lack of ethical behavior in the marketplace can also be seen by the increasingly high levels of counterfeit goods

purchased around the world, whether it's pirated DVDs or fake Louis Vuitton handbags. For example, The Economist recently reported that the sale of pirated DVDs in China deprived US film makers of approximately \$2.7 billion last year; a massive amount compared to about \$250 million for total box-office receipts in the country.⁴

(3) is the most common, and perhaps the most dubious, means by which C_NSR is measured. Recent studies on ethical consumerism suggest that consumers are giving increasing consideration to the ethical components of products and business processes and that these concerns have financial implications for the businesses involved. A 2005 GMI poll across a wide range of countries including the US, UK, India, Australia, Canada and countries throughout Europe found that 54 per cent of consumers would be prepared to pay more for organic, environmentally friendly or fair-trade products – in each country, the majority were positive to ethical consumerism. A large-scale survey by Market & Opinion Research (MORI) found that over one-third of consumers in the United Kingdom were seriously concerned with ethical issues. The same survey also suggested that the potential for ethical products could be as high as 30 per cent of UK consumer markets.⁵

When C_NSR is measured by methods (1) and (3), a very positive picture of consumer involvement in ethical issues emerges. It is easy to envision noble protesters and up to half of the general population as concerned and motivated consumers, ready to change behaviors and brands to support the causes they endorse. When C_NSR is measured using the metric of behavior however, as in (2), a starkly different picture appears – one that suggests consumers are not willing to put their money where their mouth is. As noted by one Australian in a large scale, eight-country ethnographic study,⁶ “Morals stop at the pocketbook. People may say they care, but they will always buy the cheaper brand.” A Spanish respondent in the same study echoes this assessment: “We comment when we see these programs on TV, we think what a shame, what are they doing, they're exploiting people. And we say we shouldn't buy them. And then we go and buy them anyway. It's really very sad.” How can we make sense of this disconnect? We contend that to understand this seeming dissonant reaction, C_NSR must be understood as one component of the complex consumer decision-making process. Only in this way can we develop effective and meaningful approaches that engage the, potentially, social consumer.

Consumer Decision Making and Social Purchasing

What the above discussion demonstrates is that the process by which individuals reveal social preferences, while complex, is subject to a rational process that is affected by experience, information and opportunity. Equally the process is one that is filtered. Attitudes and opinions expressed in surveys, even if unbiased and based on full information, do not equate to purchases because they do not account for the purchase context of competing alternatives and their prices, the opportunity relating to the availability of alternatives, the social norms surrounding acceptable brands within one's social circle, and the social context in which the purchasing occurs.

Hence two simple models of decision making are relevant to a general view of C_NSR . The first is a simple filtering model that implies that expressed attitudes in a world of full information will lead to significantly less revealed behaviour. In other words, people say more than they do. The second model is more complex and implies that one has to account for a host of intervening factors that may imply that attitudes are not revealed correctly, that purchase intentions are gamed or erroneous, and that actual behavior is as much or more a function of external factors as it is a function of individual preferences.

Figure 1: A Model of Product Choice Behavior

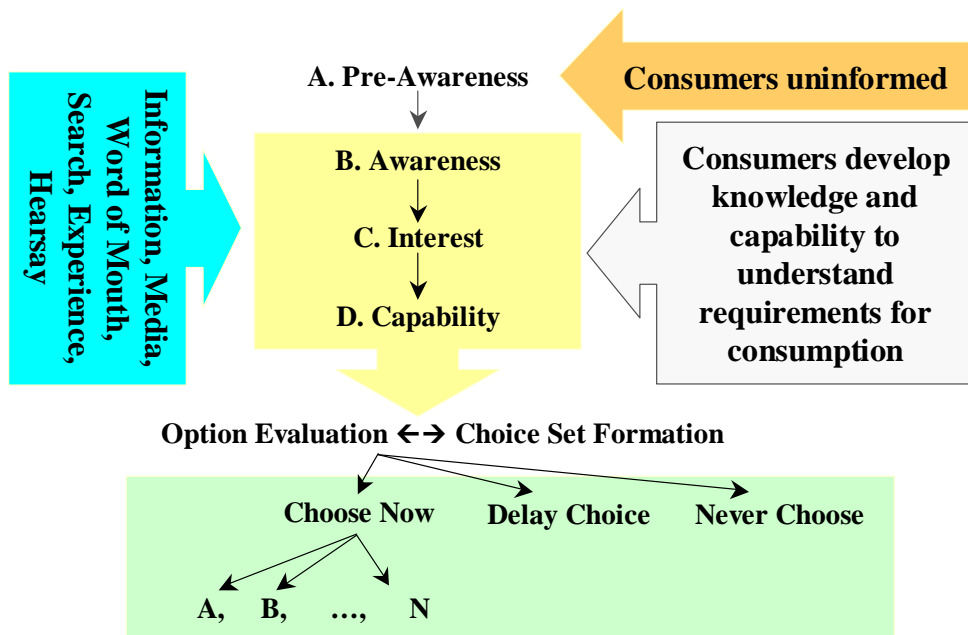


Figure 1 outlines what this more complex model of decision making might look like in its simplest form. According to this model consumers build up a capability to make choices. They move from Pre-awareness (A) to [potentially] Awareness (B) to [potentially] Interest (C) to [potentially] the capability of forming a consideration set of alternatives to making a decision of choosing, not choosing or delaying their choice. At each point information is flowing by the individual either statically (e.g., advertising) or actively (e.g., deliberate search).

There are several issues that arise immediately with this formulation. First, most models of “cause related” marketing assume an intentionality that implies that the consumer is sufficiently informed and involved to be “in the market”. In other words, they assume that consumers are aware and have an interest. For managers the task is to find these consumers and align their products and services effectively with their known needs. Second, following from this, most models are based on the belief that individuals have preferences that can be aligned effectively with the marketing program related to a specific cause. This implies that the preferences of the individual are well structured and that the program is being based on a correct assessment of these preferences. Third, most models assume that the individuals who hold these preferences, even if well formed, are willing to pay for a combination of the features on offer to an extent that enhances the value of the brand. In other words, that the social attributes being added to the product are themselves de facto “goods”.

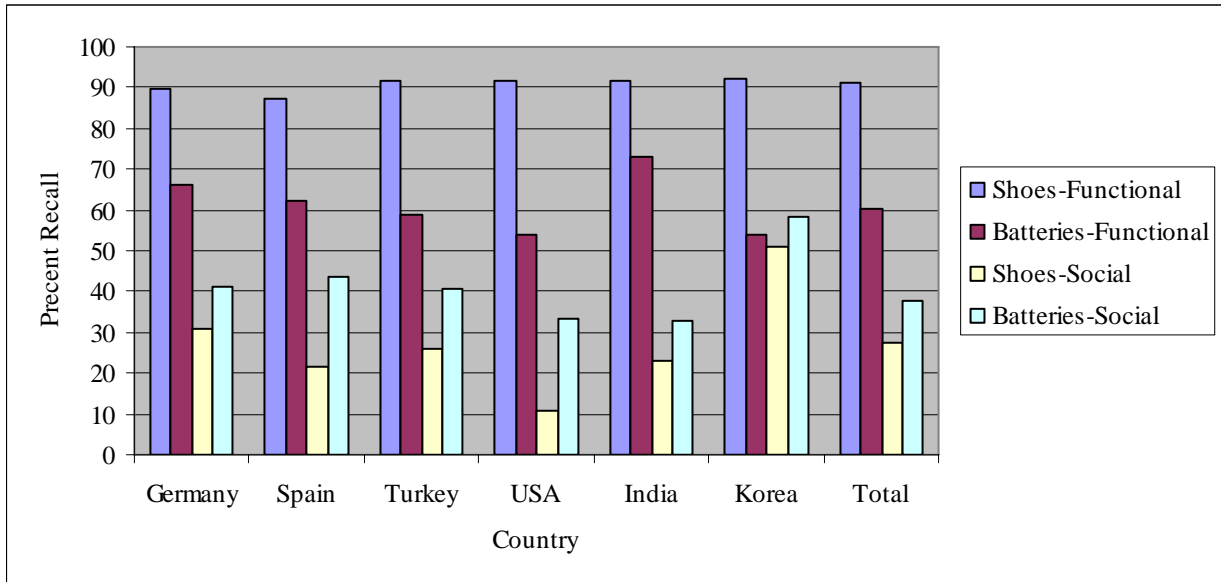
This discussion implies two overarching questions that must be addressed. First, are consumers sufficiently aware and capable to be “in the market for ethical products?” Second, do consumers have preferences that imply that if they were “in the market” they would behave in a manner that is consistent with social consciousness?

Are Consumers Sufficiently Aware of Social Product Alternatives?

The first issue is whether or not consumers are informed. One way of capturing this is through the use of simple recall about prior purchases. When asked for simple recall of different product category attributes it is fairly clear that most individuals simply have no idea whether or not social features are available within the product categories in which they purchase. Figure 2 presents information from a six-country study of two product categories, athletic shoes and AA batteries.⁷ In the case of athletic shoes the social attributes were production related (six in total), such as whether or not child labor was used or whether the product was produced in dangerous work conditions. In

the case of AA batteries the social attributes were environmental related (five in total), including whether or not the battery is Mercury/Cadmium free or whether the packaging was recyclable.

Figure 2: Consumers Knowledge of the Product Dimensions of Their Last Purchase



In all cases, the recall of functional features is quite good (and even better if brand and price are included), while the recall of social attributes is poor in general, although slightly better for the case of environmental issues. This finding replicates a previous study where a sample of Australian and Hong Kong students and Amnesty International supporters revealed recall of social attributes in the range of 5–30 percent.⁸

What is clear from this information is that individuals may possess less knowledge than is socially desirable. To address this problem, we provided some individuals with information about the issues and others with no information. Although the provision of information “tightened” individual preferences (meaning that the variance around their choices declined and choices became more consistent), there was no evidence that providing information to the consumers made any real difference to the choices they made. Hence, although people appear to not know the social aspects of the products they purchase, providing them with that information does not quickly change their product preferences.

This is confirmed by ethnographic work that reveals that even individuals who are knowledgeable about the issues (or at least have seen them discussed in the media) choose to ignore the information

when making specific purchases.⁹ What this work also revealed is that there is not one approach to informing individuals that will work, particularly across societies. For example, although individuals across different countries appeared to hold similar overall preferences – in the sense that few implied that they actually thought about social issues in the process of purchasing – the issues involved were perceived and rationalized in very different ways. Swedes, Germans and Spaniards were more likely to assert that it is the government’s responsibility, not theirs, to take action about non-ethical practices and products that may exist in the marketplace. Australians and Americans were more economic rationalist in justifications of their own behavior, arguing that it would be irrational for them to purchase anything that was not the best bargain they could find, no matter how strong their ethical beliefs. Chinese, Indian and Turkish consumers were more realists, arguing that for their families and their countries to grow and provide a decent standard of living to the general populace, it is necessary for people to breach their own moral codes to support the economy.

Do Consumers Have Well Articulated Social Product Preferences?

The second issue is one of alignment of preferences; i.e., whether or not consumers have social product preferences that are related to the ability to make specific decisions. We used discrete choice modelling approaches to ascertain the degree to which socially responsible segments existed in the marketplace. This approach has the benefit of generating preference orderings that are closer to reality and cannot be gamed in the sense that individuals must trade-off functional versus social attributes (in other words, either pay a higher price or receive less of some functional features or more of other social “bads”). We showed that socially responsible consumers do exist but differ considerably from the simplified stereotype that is presented based on popular press surveys.

From a practical standpoint, the most important characteristic of socially responsible consumers was their visibility; or more correctly, their invisibility. In a series of studies we found that it is nearly impossible to ascertain ex ante using observable measures such as gender, income, age, education and so on who is or is not more likely to possess certain social preferences. Within a country it is not that women are more likely to possess stronger social preference than men, or the more educated, or the younger, or the wealthier. Between countries, it is difficult to determine just based on social preferences whether or not an individual was from India, America, Korea, Germany, Spain or Turkey.¹⁰ C_NSR is not just the purview of wealthy, highly educated females in liberal western democracies. Rather it is something more deeply embedded in the psyche of the individual.

Secondly, although some consumers will pay more for products with positive social attributes they will invariably only do so when the functional attributes of those products meet their needs.¹¹ In other words, when presented with two alternatives at the same price, one with good social attributes but poor functional attributes and the second with poor social attributes but good functional attributes, consumers will almost always choose the product with poor social but good functional attributes (in the case of athletic shoes consumers chose the poor social attribute product in 50% of cases and the poor functional attribute product in 10% of cases).

Thirdly, segmentation approaches reveal that in the case of low cost products (such as bath soaps), the socially concerned segment is small (invariably less than 30% of the population but quite distinct). However, in the case of a high involvement product like athletic shoes the number can be quite substantial (upwards of 50%) if the functional attributes of the product can be ensured. This latter fact is ascertained by noting that there is no distinct socially conscious segment for shoes, only a performance segment that values the social attributes in conjunction with the functional attributes. Hence, marketing bath soaps to the socially conscious, à la the Body Shop, will appeal to a specific segment. However, there is little hope in marketing socially conscious athletic shoes to a distinctive population of consumers.

Consumers with a Social Conscious?

The picture that is presented here is that the socially conscious consumers do exist but they are not as pervasive as one would imagine and they are not fundamentally interested in sacrificing for a cause. If anything, they are highly rational, making product selections based on individual and logical preferences and justifying that behavior in eminently plausible ways. For example, in the case of athletic shoes it is telling that while consumers are concerned about child labor and dangerous work conditions, they are indifferent to issues of unionization and living conditions. This is confirmed by ethnographic research that demonstrates individuals tend to frame these concerns as economic development issues. For example, one Chinese man describes his understanding of how job growth takes place as, “Most people know how Nike shoes are made. It’s very normal. Some say it’s a good thing. You will be laid-off if you aren’t oppressed by others. The boss gives money to you. The boss earns money, and then you have money. No one is hurt. Everyone has won.”¹² Similarly, an Indian says, “What can we do? It has nothing to do with us. Some people earn well, some countries are poor. That is business. It’s cheap for them [Nike]. If they try to do it in the US, they have to pay

more. There is nothing wrong. If they [the workers] had no job, then how would it be? At least they have food to eat.”¹³

Becoming a Proactive Organization: Aligning CSR and C_NSR

Consumers are clearly an important but overlooked factor in the CSR equation. Hence, we believe that organizations need to become more proactive with respect to Consumer Social Responsibility if they want their Corporate Social Responsibility initiatives to have a greater impact. To do so, managers need to recognize the complexity of the consumer decision making process with respect to social purchasing and take appropriate actions to guide and educate consumers. We think that the following five steps can get managers started on the way to being more proactive:

1. ***Select the social issue(s) carefully.*** Our research reveals that consumers are concerned about very specific issues and are unlikely to react to social product features that are “too broad”. Just like consumers choose different meals for dinner, they choose different social issues on which to be concerned. Hence, it is critical for managers to focus their efforts on a single (or very few number of) issue that is relevant to their product/service offering. The relevancy of the issue is especially important since consumers’ evaluation of social product features tend to be context specific (e.g., the use of child labor in the manufacturing of athletic shoes versus the use of animal testing in the production of bath soap).
2. ***Don’t believe the surveys.*** Companies invariably rely on surveys to determine needs and preferences. However, when queried most consumers will indicate that they care about most issues, as there are socially acceptable answers and the cost of lying is zero. Our research reveals that caring is not invariant to the cost of caring and how much one cares will be affected by the purchasing context. It is important to understand not what a consumer is concerned about, but how much they are willing to pay to care in circumstances as close to those they will be facing in reality. Surveys will not reveal this information.
3. ***Don’t underestimate the importance of functional product features.*** Consumers purchase products to fulfil specific needs and wants. Consumers will not sacrifice functional features for more socially acceptable ones and will not react to an appeal to do so. Social product features must have a functionality
4. ***Communicate to the specific segment in its specific language.*** Consumers possess little knowledge of the social aspects of products and when confronted with this fact seek out culturally embedded rationales to justify their behavior. The implication is two fold. First,

consumers must be informed in a way that fits effectively with the issues that will resonate with them. Hence, consumers concerned about child labor, are less likely to react to general labor rights issue campaigns emphasizing living conditions, wages, unionization and child labor than to campaigns focusing specifically on child labor. Second, different cultures rationalize behavior differently. Hence, an anti counterfeiting campaign in China or Turkey would need to speak specifically to the issues of importance to these locales and would be unlikely to match up with a campaign in Germany or Spain.

5. ***Focus on the natural incentive to change – don't force consumers to drink from the CSR cup.*** Effective communication should not only make consumers aware of your product's social features, but also educate them about how such choices are better for them, independent of the benefit to the society and mankind. This view says, it is not your firm's job to make people "concerned" about social issues, but rather to incentivize them to act and give them the opportunity to reveal their true social preferences.

In conclusion, we believe that as more researchers recognize the importance of studying Consumer Social Responsibility in as rigorous a manner as has been applied to companies, governments, and NGOs, we will be able to fill in many of the missing pieces of the CSR puzzle. One thing is for sure – continuing to survey consumers about their attitudes toward ethical issues, without making a connection to actual behavior, and without understanding their underlying rationales, is no longer possible.

¹ As quoted in S. Stecklow, Products turn red to augment AIDS fund, *Wall Street Journal*, **13 April**, B1 (2006).

² P. A. Argenti, Collaborating with activists: How starbucks works with NGOs, *California Management Review*, **47**, 91–116 (2004).

³ J. M. Krier, *Fair trade in Europe 2005*, Brussels: Fair Trade Advocacy Office (2006).

⁴ Economist, Chinese cinema: No direction, *The Economist*, **379**, 67 (2006).

⁵ T. Mason, The importance of being ethical, *Marketing*, **26 October**, 27 (2000).

⁶ T. Devinney, G. Eckhardt and R. W. Belk, Why don't consumers behave ethically? The social construction of consumption, *Unpublished working paper* (2006); also reported in the documentary produced by the same authors, *Why don't consumers behave ethically? The social construction of consumption*. Sydney: Centre for Corporate Change (2006).

⁷ P. Auger, T. M. Devinney, and J. J. Louviere, Segments of socially conscious consumers: Do they exist? *Unpublished working paper* (2006).

⁸ P. Auger, T. M. Devinney, J. J. Louviere and P. Burke, Do social product features have value to consumers? *Unpublished Working Paper* (2006).

⁹ R. W. Belk, T. Devinney and G. Eckhardt, Consumer ethics across cultures, *Consumption, Markets, and Culture*, **8**, 275-289 (2005).

¹⁰ P. Auger, T. M. Devinney and J. J. Louviere, To what extent do consumer ethical beliefs differ across countries? A cross-country investigation using best-worst scaling methodology, *Journal of Business Ethics*, forthcoming (2006).

¹¹ P. Auger, P. Burke, T. M. Devinney and J. J. Louviere, What will consumers pay for social product features? *Journal of Business Ethics*, **42**, 281–304 (2003).

¹² Op. cit. Devinney, et al. Why don't consumers behave ethically.

¹³ Ibid.