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A “good” new brand — What happens when new brands try to stand out through corporate social responsibility

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ABSTRACT

Corporate social responsibility (CSR) is increasingly used as a key part of a firm's branding strategy, especially for new brands hoping to stand out in mature markets. Unfortunately, data here demonstrate that new product trial is *lower* when new brands tout CSR activity than when they do not. To understand this surprising phenomenon, we find CSR has a negative effect on new brands' perceived product performance. Happily, we find a fix for new brands; negative effects for new brands can be reversed if the company explicitly signals a priority for both the product and its CSR endeavors. Importantly, we do not see a similar negative impact of CSR on established brands.

1. Introduction

Corporate social responsibility (CSR), has become an increasingly *de rigueur* part of the corporate landscape. In 2015, corporations donated $17.8 billion to charities (Double the Donation, 2016). Many Fortune 500 firms employ full-time staff to execute their CSR activities and engage in a diverse portfolio of activities whose fiscal impact annually is in the millions of dollars. For example, Nike engages in CSR in many diverse forms, from efforts that are heavily invested and far ranging, like Nike Better World whose mission is to make athletes faster, stronger, and better in a sustainable manner by making products from recycled plastic bottles, creating less waste, creating colors in a waterfree dyeing process, and retooling old shoes to the much smaller niche engagement of the N7 Fund, enabling Native American and Aboriginal youth to become involved in sports. Nike's full portfolio of CSR activities, that span environmental, social, healthcare, and economic issues, can be seen at: http://www.nike.com/us/en_us/c/better-world.

The allure of CSR for new brands may seem particularly attractive as, increasingly, new brands use their “good works” to both stand out from the masses of new product introductions and to provide a strong narrative or “origin story.” One interesting example was the 2013 launch of the new Nicklaus Black, Nicklaus Blue, and Nicklaus White golf ball line by professional golfer, Jack Nicklaus. Ads tout that the golf balls were designed to simplify golf ball choice for different swing speeds and serve as a fund-raiser for Nicklaus' favorite charity, the Nicklaus Children's Health Care Foundation. In product messaging: www.nicklaus.com stated, “*The first-ever Jack Nicklaus Golf Balls are now available and are shipping to customers. The line of golf balls, announced at last month's President's Cup, places an emphasis on simplifying the game, as well as giving back to the game and to charity*.”

In the marketplace, the emphasis on the “triple bottom line” appears to be expanding across industries as many firms make CSR a *primary* strategic focus (McPherson, 2017). This includes many new firms, for example, from sock company, Cole and Parker, founded in 2013 as a way to fund entrepreneurs in developing countries through every pair of purchased socks to The Honest Company, founded in 2011, a maker of eco-friendly disposable diapers and organic baby products, to the mobile phone app, iCow, founded in 2011 to help rural African farmers manage animal husbandry issues and share information on prices, many new companies are positioned primarily as “good works”. This connection to innovation is not hard to understand. Because of the external focus of CSR and its ability to drive change-oriented thinking, CSR may prove the catalyst that promotes the development of new products; research shows that “good” companies (i.e., those that engage in meaningful CSR) launch more new products than their less engaged counterparts (Luo & Du, 2012).

While doing good may seem like a simple proposition for both established and new brands, recent evidence of both managerial enthusiasm and concerns about CSR engagement point to a degree of confusion. Many brands embrace CSR but can't articulate their intents or outcomes (Bradley, 2014). Some brands are backing away from

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touting CSR-related activities because they believe that consumers are not responsive (Westervelt, 2014) or that it may be perceived as taking attention away from core operations (Friedman, 1970; Rady, 2011). Therefore, *is promoting one's good works a good strategy for new brands?*

In this research, we find, unfortunately, that new brands can be negatively impacted by promoting their CSR engagement in ways that established brands are not. Through a series of experiments—both in the field and in the lab—we try to understand the process by which this asymmetric result obtains and to offer a remedy to new brands who wish to include CSR in their business activities. Since such CSR activities are brand-building strategies for many new firms (as shown with above examples), it is important to ask, "Will new brands reap greater benefits or incur more liability than established brands in practicing CSR?"

While the managerial contribution of this research is clear, we also make a theoretical contribution by examining the process by which such a counterintuitive effect might occur and speak to a larger phenomenon of how consumers draw inferences about new versus established brands. We find that consumers' negative evaluations of new brands' product efficacy are driven by inference-making about corporate priorities. "Quality is Job 1" was Ford's celebrated tag-line from 1981 to 1998 and many consumers resonated with the idea that product quality must be a firm's first priority. In the data here, we see that CSR (e.g., donating to a charity) may hurt new firms because consumers infer that such activities suggest a lack of necessary focus on product efficacy. This effect appears to be a function of "company age" or "newness" rather than the familiarity (or lack thereof) of the brand. For firms that have successfully existed for some time, consumers infer that an acceptable level of quality must underlie that longevity.

These findings also contribute to the fast-growing body of research on CSR; especially to the research that finds that CSR influence on consumers is never a simple story (Berens, van Riel, & van Bruggen, 2005; Chernev & Blair, 2015; Ellen, Webb, & Mohr, 2006; Gershoff & Frehls, 2015; Hasford & Farmer, 2016; Karaosmanoglu, Altinigne, & Isiksal, 2016; Lichtenstein, Drumwright, & Braig, 2004; Menon & Kahn, 2003; Robinson, Irmak, & Jaychandran, 2012; Wagner, Lutz, & Weitz, 2009; Yoon, Gürhan-Canli, & Schwarz, 2006; Zasuwa, 2016). Importantly, we find that product efficacy is a key concern with CSR affiliation, even beyond past work that notes liabilities for product categories that "seem nice" or "seem gentle" (e.g., Luchs, Naylor, Irwin, & Raghunathan, 2010); here we find that what can matter more than product category is the assumption that a new firm is attempting too much by acting charitably before they get the basics of delivering a high quality product down. We discuss how these findings make several important contributions to the growing CSR literature, both for theory development and for managerial practice. Ultimately, understanding the role of brand cues—and the best choices of CSR engagement for both new and established brands—will help firms realize better outcomes from their CSR investments and help make "doing good" more sustainable to the firm by ensuring it "does good" to the bottom line.

Before turning to theory-testing, we first—briefly—provide a field study to demonstrate the phenomenon of interest. This study was conducted with real shoppers making a real decision and explored whether trial of a new brand was increased or decreased by the inclusion of CSR in the new product's promotional material.

2. Study 1: CSR negative impact on trial of a new brand

2.1. Method

We conducted a field study across two locations, a large-chain grocery store and a community center. We utilized a promotional booth at both locations for new products to recruit 89 consumers (54 consumers recruited from the grocery store and 35 consumers recruited from the community center; mean age = 43) and introduce them to a new brand of sports drink called ScoutZero. Consumers indicated their usage and preferred brand of sports drink. Consumers were randomly assigned to one of two conditions: in one condition, the introductory materials and script highlighted the new product's CSR engagement and, in the other, the promotional material did not include this CSR information. (See Appendix A.) Consumers could commit to trying the product in two ways: (1) they were then offered a choice between a $1.00 coupon for the new product or a 0.75 cent coupon for their regularly purchased product and (2) they were told that they would be entered in a drawing for a 12-bottle prize pack of sports drink and asked to choose between the new product or their regularly purchased product as the prize if they won. New product trial was assessed as the number of consumers who chose the new product, ScoutZero, over their regularly purchased brand, for either the coupon or the prize. Six consumers who were recruited did not choose either the coupon or prize pack, leaving 83 shoppers to be included in the analysis.

2.2. Results and discussion

A chi-square analysis tested whether the proportion of new product trial differed between conditions (promotional materials included or did not include the firm's CSR). We observed a significant effect ($\chi^2(1) = 7.65$, $p < .01$) of condition; trial of the new product was higher in the no CSR condition (86%) than in the CSR condition (59%). (Please see Appendix A for further details regarding stimuli and analyses.)

Thus, we observe a counterintuitive phenomenon—including mention of the new firm's good works in its promotional materials served to decrease consumer's interest in trying the new product. In subsequent studies, we examine whether this is a function of consumers' perceptions of the product's quality and whether the same result occurs for more established firms. In order to develop hypotheses around these questions, we first turn to a discussion of CSR and its potential impact on quality inference-making.

3. What is CSR and how does it impact consumer perceptions of firms?

Within the research literature, CSR is defined as a company's status and activities with respect to its perceived societal obligations (Brown & Dacin, 1997; Sen & Bhattacharya, 2001) and, in practice, is a necessarily broad umbrella that describes a great variety of corporate actions that can have positive societal impact including environmental (e.g., environmentally friendly products and recycling), social (e.g., community support and human rights), health (e.g., disease control and medical research), and governance programs (e.g., public policy and compensation)—many of which fall under the aegis of sustainability initiatives. With the explosive growth of CSR and sustainability initiatives, "good works" are no longer relegated to niche brands or to superficial window-dressing exercises for the benefit of public relations. Companies with diverse backgrounds and portfolios engage in CSR initiatives, often at highly strategic levels. While some firms engage in CSR that is largely extraneous to product performance or positioning (i.e., Pampers' One = One campaign, Apple's participation in Product Red), other firms have used an ethical or moral stance as a basis of brand identity and core competency (e.g., Burt's Bees and natural ingredients, The Body Shop and no animal testing, Green Mountain Coffee and fair trade practices, Tom's Shoes and third-world charity).

Corporate social responsibility, in all its myriad forms, has proved to be successful for many companies. For example, Seventh Generation, whose focus is on environmentally-sustainable household and personal care items, has become a leader in its category with 11% growth in sales in 2010 (Seventh Generation, 2012). The Home Depot, a national home improvement store, after aligning itself with volunteering endeavors dramatically increased employee satisfaction with the company—91% of employees reported more pride in their company (True Volunteer Foundation, 2008). Likewise, academic research has shown many and