

# The Role of the Beneficiary in Willingness to Pay for Socially Responsible Products: A Meta-analysis

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## Abstract

Many companies have made significant investments in socially responsible production practices for their products. Environmentally safe cleaning products, fair trade coffee, and sustainable seafood are just a few examples. In this paper, we conduct a meta-analysis of over 80 published and unpublished research papers across a large number of product categories to better understand differences in willingness to pay (WTP) for socially responsible products. In particular, we are interested in whether the beneficiary of the social responsibility program—humans, animals, or the environment—affects WTP. We use two dependent variables: the percentage premium people are willing to pay and the proportion of respondents who are willing to pay a positive premium. We find that the mean percentage premium is 16.8 percent and that, on average, 60 percent of respondents are willing to pay a positive premium. Importantly, across both dependent measures, we find that WTP is greater for products where the socially responsible element benefits humans (e.g., labor practices) compared to those that benefit the environment. Implications for retailers, manufacturers, and future research are discussed.

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Socially responsibly produced products and services are becoming more important than ever for retailers as their presence continues to increase dramatically. Environmentally safe cleaning products, fair trade coffee, and sustainable seafood are just a few examples of this growing trend. Recently, Levi Strauss announced a line of jeans with a pitch “These jeans are made of garbage.” The Waste < Less jeans are composed of at least 20 percent recycled plastic (*BusinessWeek* 2012). Although companies and retailers offering socially responsible products provide a benefit to society, economic incentives are often a catalyst for, or at least an input into, the decision by a firm or retailer to provide socially responsible products (Karnani 2012). Understanding consumers’ willingness to pay (WTP) for products produced using socially responsible practices is important for the future success of such endeavors. Despite the growth in this product area and previous research on WTP, we found few studies in marketing that have directly addressed this issue, with almost all focused on WTP for either coffee or apparel with socially

responsible attributes (e.g., De Pelsmacker, Driesen, and Rayp 2005; Ha-Brookshire and Norum 2011).

Despite other disciplines examining this issue, there are still many unanswered questions about consumers’ WTP for products produced using socially responsible methods. For instance, it is unclear how much more consumers on average are willing to pay for socially responsible products in general. As might be expected from the rise in socially responsible product offerings, many studies have found that consumers are willing to pay a relatively large premium for these products (e.g., Aguilar and Vlosky 2007; De Pelsmacker, Driesen, and Rayp 2005; Saphores et al. 2007). However, a smaller number of studies have reported premiums closer to zero (e.g., Grönroos and Bowyer 1999) or even to be negative in rare cases (e.g., Akkucuk 2011). In addition, the retail sales for some socially responsible products have been slow. For example, Clorox’s widely heralded line of Green Works cleaning products has had considerable difficulty gaining traction with retailers and consumers. Importantly, price has been suggested to be one of the top barriers to green consumption (Gleim et al. 2013).

Beyond the average WTP for socially responsible products, factors that influence WTP for socially responsible products are still relatively unknown. Research has examined

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individual differences that can explain variations in WTP for socially responsible products (e.g., [Balderjahn 1988](#); [Roberts 1996](#)). Relatively less is known about the factors of socially responsible products themselves that may contribute to differences in willingness to pay. Understanding the economic value of implementing different types of socially responsible practices to consumers is of interest to society, manufacturers, and the retailers who distribute the manufacturers' products. For instance, are products advertising the use of fair wages to employees more or less likely to increase a consumer's WTP compared to those advertising the use of environmentally friendly tactics? This is not a trivial matter. A recent article in *Forbes* said that many corporate leaders, realizing lackluster return on social responsibility investments, want to know the best way to increase the value of these investments ([Klein 2012](#)).

To examine systematic differences in WTP for socially responsible products, we employ a meta-analysis of a large group of studies that have explored WTP for such products. Meta-analyses have been widely used in marketing. Some well-known examples are in the areas of advertising ([Assmus, Farley, and Lehmann 1984](#); [Sethuraman, Tellis, and Briesch 2011](#)), pricing ([Bijmolt, van Heerde, and Pieters 2005](#); [Tellis 1988](#)), and diffusion models ([Sultan, Farley, and Lehmann 1990](#)). These meta-analyses have helped the marketing field develop a large set of empirical generalizations ([Hanssens 2009](#)).

Meta-analysis has also been used to understand variation in WTP for socially responsible products ([Cai and Aguilar 2013](#); [Lagerkvist and Hess 2011](#)). However, past meta-analyses have concentrated on one product category (e.g., wood products) and one type of social responsibility (e.g., the environment). By widening the set of studies included in the meta-analysis, we are able to make broader generalizations about average WTP for socially responsible products and can examine factors not yet rigorously tested. Using each study in a paper as one data point permits an analysis of multiple product categories using different types of social responsible practices that differ in strength of social norm. In doing so, our meta-analysis is able to examine whether consumers are likely to pay a larger or smaller premium for socially responsible products that benefit the environment compared to those that benefit human working conditions and whether differences in social norms for different products can predict variation in willingness to pay. See [Table 1](#) for a comparison of the current research to previous meta-analyses.

The goal of this meta-analysis is to generate a set of findings about consumer WTP for socially responsible products that are not conditional on the particulars of any single study, product type, or social responsibility type and to provide researchers, policy makers, and retailers with a concise synthesis of the research results. Moreover, we aim to test moderators of the WTP for socially responsible products that may be of particular interest to retailers such as the type of socially responsible beneficiary and the social norms associated with a socially responsible product.

### Main hypotheses

In the current work, we examine whether variation in WTP can be explained by factors associated with the product and

social responsibility type as well as general characteristics of the data collection method. More explicitly, we suggest that the variance in WTP for socially responsible products may be influenced by the beneficiary of the social responsibility and the social norms for the socially responsible product. We also examine how product domain, product certification and characteristics of WTP elicitation such as the year the study was conducted, whether the method of elicitation is incentive-compatible, and whether respondents are allowed to respond with negative values for WTP influence WTP estimates.

#### *Beneficiary of social responsibility*

The [ISO 26000](#), an organization tasked with standardizing guidelines for social responsibility, defines social responsibility as the “responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour” (2010, p. 3). Thus, social responsibility is a broad term to describe anything a company might do that benefits society at large. Similarly, socially responsible products provide a benefit to society at large. However, by using the term socially responsible products, we are referring to products which benefit society through business practices used in the creation of the product. Therefore, the manufacturing choices a company makes (through the labor they employ, the packaging they choose, the distribution network they use) are done in a way to provide benefits to society. Choices a company makes outside of the business practices employed in producing the good (e.g., giving profits to charity) fall outside the scope of the current research.

Broadly speaking, socially responsible products can benefit three types of beneficiaries: the people of a society, the animals in a society, or the environment. The current literature makes it difficult to identify differences in WTP across type of social responsibility. The vast majority of studies on WTP for socially responsible products focus on one socially responsible beneficiary so whether the type of social responsibility impacts consumers WTP is unclear. Only three articles in our literature review yielded studies that looked across multiple types of beneficiaries of socially responsible products. [Loureiro and Lotade \(2005\)](#) look at WTP for fair trade coffee (which benefits people) and shade-grown coffee (which benefits the environment). The estimates of WTP across these two types of products are nearly identical. [Carlsson, Garcia, and Löfgren \(2010\)](#) found similar results. However, [Hustvedt, Peterson, and Chen \(2008\)](#) find that there is a greater interest in socially responsible wool products which benefit animal rights than wool products benefiting the environment. Given the small range of studies examining willingness to pay across beneficiaries, and the differences in findings across the few studies, it is currently difficult to make any generalizations. Thus, if a retailer has the choice of stocking a product that provides fair wages to its employees or one made from renewable resources, it is currently unknown which product will allow for a greater price premium.

We hypothesize that the beneficiary of social responsibility will impact WTP. Although environmentally friendly products have garnered much hype in recent years, we suggest that

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