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N. Craig SMITH
Daniel READ
Sofia LOPEZ-RODRIGUEZ

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by

N. Craig Smith*

Daniel Read**

and

Sofía López-Rodríguez***

* INSEAD Chaired Professor of Ethics and Social Responsibility at INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, Ph : 33 (0)1 60 72 41 45 Email: craig.smith@insead.edu

** Visiting Professor of Behavioral Economics at Yale School of Management New Haven, CT 06520n 8200, USA Ph: 1 203 432 5969 Email: daniel.read@yale.edu

*** Univ Lille Nord de France; LSMRC Avenue Willy Brandt 59777 Lille, France Ph: +33 (0)3 2021 4092 Email: s.lopez@skema.edu

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Abstract

While consumers are often identified as a driver of the “business case” for corporate social responsibility, little is known about the precise impact CSR has on consumers. It has been widely speculated that socially responsible behavior will be subject to a halo effect whereby consumer awareness of one set of CSR actions (e.g., recycling) will influence their perceptions of CSR performance in other areas (e.g., eco-friendly production) about which they have little or no information. Two studies provide support for a halo effect within domain (e.g., environment) and across domains (e.g., environmental action influences perceptions of CSR performance in relation to the local community). Our research suggests that consumers may well make inferences about company CSR performance on the basis of very limited information. This has implications for company CSR strategy and for public policy where companies attempt to use the CSR halo to manipulate consumer perceptions of CSR performance.

Corporate initiatives that address a company's social and environmental impacts that go beyond legal or regulatory requirements are often premised on a perceived "business case" in which consumer perceptions and demands drive corporate responsibility and sustainability strategies (Barnett 2007; Smith 2003). Yet research findings on the business case for CSR are mixed (Margolis, Elfenbein and Walsh 2008) and reviews of research in regard to consumer effects suggest that the influence of CSR on consumers is highly contingent (Bhattacharya and Sen 2004; Smith 2008; Vogel 2005). While CSR likely has major implications for marketing activities such as advertising and branding, there is much we still do not know about its effects on consumer decision making.

Research to date has demonstrated the contingent effect of CSR on consumers. For example, Sen and Bhattacharya (2001) found that the effects of CSR information on company evaluations are mediated by consumer-company congruence and moderated by consumer support of the CSR domain. Yoon, Gurhan-Canli and Schwarz (2006) identified a mediating role for perceived sincerity of company motives when consumers evaluate CSR. Wagner, Lutz and Weitz (2009) explored the effects of inconsistent CSR information on consumers and identified a mediating role for perceived corporate hypocrisy. Trudel and Cotte (2009) report that some consumers will pay a premium for ethical product attributes, but only up to a point and they will also penalize unethical conduct to a proportionately greater extent. This "negative ethical consumerism" (Smith 2008, 283) can extend to boycotts, where there is refusal to purchase, and boycotts research also indicates that boycott participation can be highly contingent, influenced by factors such as the perceived likelihood of boycott success and the costs associated with boycotting (Sen, Gurhan-Canli and Morwitz 2001) or a weighing of costs and benefits in a pro-social action framing, including possible motivations unrelated to the boycott issue, such as self-enhancement (Klein, Smith and John 2004).

In this research, we focus on whether CSR information can lead to a halo effect on the part of consumers, in that they generalize from knowledge of one initiative to beliefs about other initiatives. The halo effect, as implied, is the tendency to draw an impression of a person or object from a few positive or negative facts, and to then use that impression to infer other facts about the person or object. For instance, seeing a few particularly honest acts from someone can make other (neutral) acts seem more honest. It has been widely speculated that socially responsible behavior will be subject to such a halo effect whereby consumer awareness of one set of CSR actions (e.g., recycling) will influence their perceptions of CSR performance in other areas (e.g., eco-friendly production) about which they have little or no information. However, this speculation, which has major implications for business and policymakers, has received little direct empirical support.

Klein and Dawar (2004) found that a CSR halo might mediate the impact of product-harm crises on consumers' brand evaluations if consumers are CSR sensitive. Luchs et al (2007) proposed an inherent tradeoff between a product's "ethical attributes" and the product's effectiveness or functional performance, consistent with Sen and Bhattacharya (2001), and found that consumers assume less effectiveness of "ethical products" moderated by the degree to which the consumer believes the ethical issues to be important. In contrast, we look less to individual differences in consumer response and more to the extent to which a halo effect is evident in a CSR context. More specifically, we report two studies where participants were exposed to scenarios describing company actions in four CSR domains (the environment, community, customers, and employee work/life balance) and test for evidence of a halo effect both within domain (e.g., environment) and across domains (e.g., environmental action influences perception of CSR performance relative to employees). We discuss the implications of our results for understanding of consumer response to CSR initiatives, including its possible "dark side" whereby companies attempt to use the CSR halo to manipulate consumer perceptions of CSR performance (e.g., "greenwashing"), and identify directions for further research examining "halo valence" (e.g., effects of negative and positive CSR information) and "halo calibration error" (true vs. illusory halo).

THE CSR HALO EFFECT

The halo effect can be defined formally as "high intercategory correlations or low intercategory variance" (Cooper 1981, 218). That is, judgments made about one category are either clustered around judgments of other categories, or highly correlated with them. The halo effect was originally identified by Wells (1907), and occurs where raters are "unable to treat an individual as a compound of separate qualities and to assign a magnitude to each of these in independence of the others" (Thorndike 1920, 28). Evident in these early origins and much subsequent treatment of the halo effect is an emphasis on its psychometric implications. Considerable research attention has been given to halo reduction and to the use of halo measures as an indicator of rating quality, particularly in performance evaluations (see, for a critical review, Balzer and Sulsky 1992; Cooper 1981).

As well as being of methodological concern, however, the phenomenon is so well established as a psychological construct that it is described as "ubiquitous" by Cooper (1981). It has been shown for example that physical attractiveness is incorrectly associated with being more sociable, more intelligent and socially skilled, such that "good looking people are not what we think" (Feingold 1992). In a consumer decision-making context, "health halos" from fast-food restaurants that claim to be healthy (e.g., Subway) are said to explain why consumers underestimate the caloric content of main dishes and choose higher calorie side dishes (Chandon and Wansink 2007). More anecdotally, increased sales of the Apple Mac computer are attributed to a halo effect resulting from the huge success of the I-phone (Thompson 2007) and the appeal of product placement reflects advertiser assumptions of a favourable halo effect.

The observed halo is the combination of the “true halo” and the “illusory halo”. True halo reflects actual correlations (or partial redundancy) among the categories being evaluated. Illusory halo is present when observed halo exceeds true halo and is largely attributable to illusory covariance theories (Cooper 1981). It is important to differentiate between true halo and illusory halo, though they can be difficult to isolate empirically. While both true halo and illusory halo reflect theories of category covariance, with illusory halo the observer’s theory (implicit or otherwise) predicts nonexistent category covariance (or overstates it) and thus is mistaken. Illusory covariance theories are attributed to conceptual similarities of categories that cue associations and are aided by cognitive distortions, such as ignoring hit rates (over-attending to correct predictions and under-attending to incorrect predictions), a readiness to see similarity, confirmation bias, and discounting impression inconsistent information (Cooper 1981).

In the context of consumer perceptions of CSR, true halo exists where consumers estimate a correct covariance among CSR activities. Accordingly, for example, they might be correct in inferring that a company that attempts to minimize its impacts on the environment is also likely to look after its employees (true halo), but overstate the strength of that relationship (illusory halo).

Boatwright, Kalra and Zhang (2008, 217) note that the term halo effect refers to two broad effects:

> “the interdimensional similarity halo, where a person tends to rate an object similarly across different dimensions. In the marketing context this implies that consumers will use an observable attribute to infer an unobservable one. The second effect refers to the general impression halo, where a person’s overall evaluation or impression leads her to evaluate all aspects of performance.”

We consider two kinds of halo inference in regard to the interdimensional similarity halo. The first is a within-domain inference, meaning an inference from one CSR activity to another with a similar goal. An example would be inferring that a firm pursues an energy conservation initiative because it is known to have a recycling initiative. The second is a between-domain inference, meaning from one activity to another that has a different goal. This would mean, for example, inferring that a firm has a family friendly workplace environment from information about its recycling activities.

To take a simple real-world example, what are the inferences made by HP consumers of the company's printer cartridge recycling program that encourages them to mail used cartridges back to HP for recycling? How and in what ways does this initiative affect the perceived CSR performance of HP overall and in specific domains, as well as more broadly, HP's brand and reputation? In general, when consumers are unable to reliably ascertain the true extent of a company's social and environmental impacts, do they extrapolate from a limited number of examples to other corporate practices? We describe two studies addressing these questions and develop their implications.

STUDY 1

In Study 1, 165 undergraduates at a large university in France participated in the study in exchange for a coupon redeemable at a local sandwich shop. Participants were randomly assigned to experimental conditions and were debriefed and compensated on departure. Each participant read a brief scenario describing a firm, modeled on HP, which makes printer cartridges and printers. There were seven conditions. In four *halo* conditions, the scenario included a description of a CSR initiative, either in the domain of the environment, the company's local community, customers, or employee work/life balance. For example, participants in the environmental initiative condition were told:

> "Company X is a European company that manufactures printers and printer-cartridges for personal computers. It has 4,500 employees based in its production facilities in France, Ireland and Portugal.
>
> The company has embarked on an ambitious recycling program for its printer cartridges. Each cartridge sold comes with a prepaid return envelope for the used cartridge. When returned the cartridges are reconditioned. The company's stated goal is for each cartridge to be recycled an average of three times."

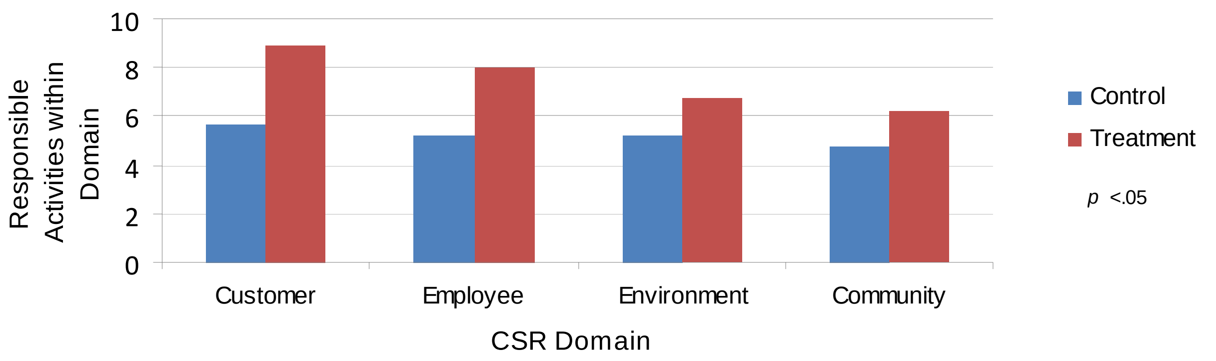
In addition to the halo condition, there were three control conditions against which the halo conditions were compared: no initiative (i.e., first paragraph above only), a purely commercial initiative, all four CSR initiatives.

After having read the scenario, participants answered 20 questions concerning the social responsibility of the firm (counterbalanced to reduce any order effect). Each question consisted of a statement about the company, to which the respondent indicated whether it was likely that the company carried out the action. There were five sets of statements that varied in specificity, with each set containing four questions, one for each domain: a general statement of the company's stance (e.g., " The company cares about the environment"); broad generalization (e.g. it has eco-friendly production facilities); principles before profits (e.g. it is willing to accept lower profits to ensure a clean environment); purpose of action (e.g. it recycles printer cartridges to reduce its carbon emissions); specific generalization within domain (e.g. it uses recycled cups in its company cafeteria). They were also asked to provide an overall measure of corporate responsibility ("How socially responsible do you think this company is?") and to answer three open-ended questions intended as manipulation checks. Finally, they answered four demographic questions.

The CSR measures were used to test for a halo effect. By comparing responses to the same item when it was preceded by a similar CSR initiative, a different CSR initiative, or no initiative, we were able to test for both within- and between-domain halo inferences. The difference between the control group and the similar-CSR condition was a measure of within-domain halo, and the difference between the control group and the different-CSR condition was a measure of between-domain halo.

As Figure 1 shows, we found support for a within-domain halo effect for all four domains. Where consumers were exposed to a CSR initiative, their evaluation of the company's CSR performance within the same domain (across four measures, excluding the initiative described in the scenario) was significantly higher than the control condition (of no initiative) (p<.05).

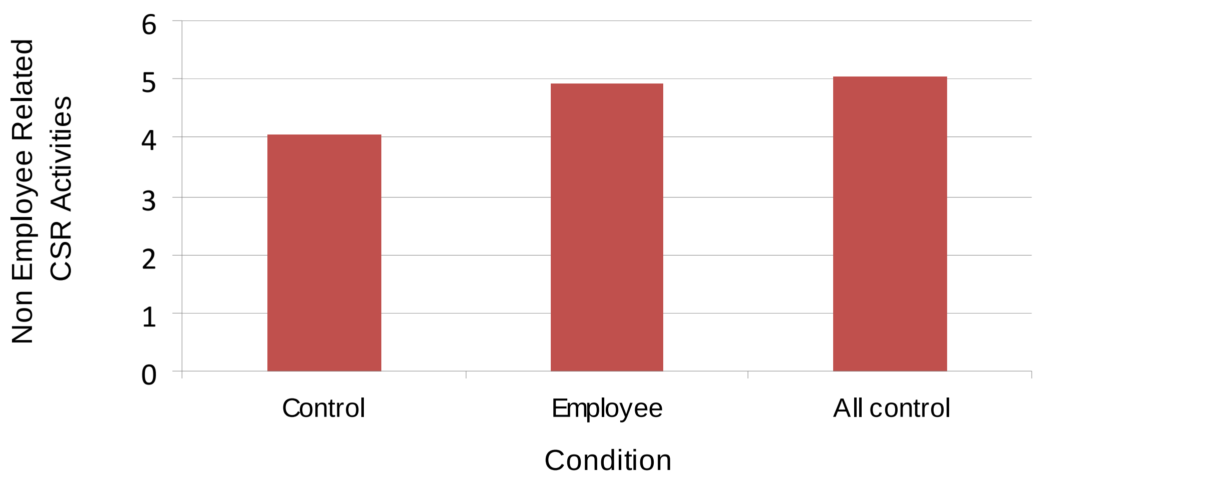
FIGURE 1
STUDY 1: HALO EFFECT WITHIN CSR DOMAINS



In addition, as shown in Figure 2, we found support for an across domain halo effect in one domain only, the employee (work-life balance) condition. A composite score of the CSR measures excluding the employee initiatives measures was significantly higher than the control (of no initiative) (p<.05). In the employee condition, participants were told:

> "The company has a strong family-friendly program that goes substantially beyond regulatory requirements. Each manufacturing plant has introduced free child-care for all employees at an on-site crèche that has professional staff and extensive facilities. The company's goal is to increase the number of female employees from 20% to 40% of their workforce."

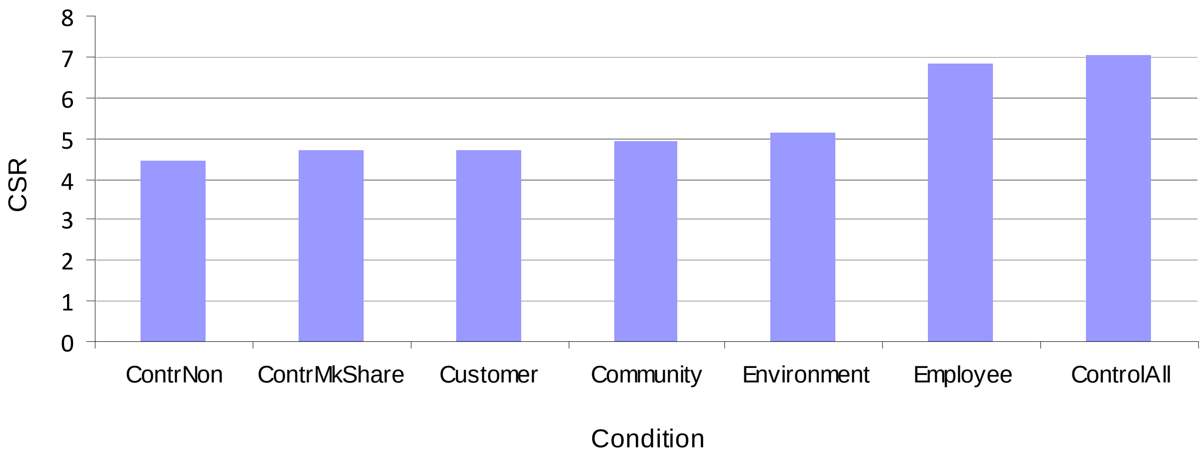
FIGURE 2
STUDY 1: HALO EFFECT BETWEEN CSR DOMAINS



Consistent with this observation, when we compare initiatives on the overall social responsibility of the company, we find that only for the employee initiative was the company judged appreciably (and significantly) more socially responsible than in the control condition. This is evident from Figure 3, which shows the CSR effect across conditions, with CSR scores shown to be little different between the experimental conditions and two of the controls (commercial initiative and no initiative) with the exception of the employee initiative which was markedly higher ($p<.05$) and comparably rated to the control of all four CSR initiatives.

FIGURE 3

STUDY 1: EFFECTS ACROSS CONDITIONS



One possibility is that our findings show that treating employees well is a uniquely effective way to achieve an across-domain halo effect. Another possibility is simply that our manipulations were not powerful enough. Or, translated into practical terms, that a company must do a lot in one CSR domain to achieve a generalization to other domains. In Study 2 we tested a much wider range of CSR initiatives. We wanted these to be quite powerful, in that they were substantially more responsible than the everyday business practice with which participants would be familiar, and yet at the same time plausible.

STUDY 2

In Study 2, we used the same administration procedure, questionnaire format, and sample population (with previous participants screened out) as in Study 1 (N = 520). Data were collected in two waves, with the second wave one month after the first and timed to coincide with the 2009 Copenhagen climate change summit. This was to test for the possibility of a heightened sensitivity to the environmental scenarios in view of the extensive media attention to climate change. While the general questionnaire format remained the same, the scenarios were designed to present participants with CSR initiatives more likely to be viewed as going beyond a "business as usual" approach. To be more certain of a powerful manipulation for each domain (the environment, community, customers, and employee work/life balance), we developed and tested three scenarios within each domain. Thus we had 12 halo conditions together with one no-initiative control condition. An example is the following ("healthy default") scenario in the customer domain:

> "Imagine a fast-food restaurant called "Harrigans" that sells menu items for breakfast, lunch and dinner. It has 310,000 employees, and operates 10,500 restaurants in 53 countries.
>
> Based on its concern for its customers' health, Harrigans has embarked on an industry-leading strategy to promote healthy eating. Unless customers request otherwise, they are automatically given a salad and fruit as the side dishes with their order, instead of fries, and fruit juice instead of a soda for their drink. The company's goal is that 80% of its customers stay with the healthy side dish and drink options that are provided automatically, rather than switching to a less healthy alternative."

The subsequent measures were also adapted, with a manipulation check designed to ascertain participant evaluations of how socially responsible they viewed the initiative and 15 CSR measures in three categories; i.e., general statement of company's stance, principles before profits, core values.

Open-ended questions asked for an explanation of participants' overall social responsibility evaluation of the company described in the scenario and for their opinion on the company's motivation for the initiative, as well as whether any particular company came to mind in reading the scenario (as expected, McDonald's was mentioned by more than half of the participants). Finally, before completing the demographic questions, participants ranked the importance of company action in the four domains (the average ranking in order of importance in the first wave of data collection was employees, customers, environment, community; in the second wave, environment was ranked second to employees, followed by customers and community, consistent with our expectation of a Copenhagen effect).

Results

For each domain of question, we combined all three questions into a composite CSR index. For instance, the mean of responses "It cares about the environment," "It is willing to accept lower profits to ensure a clean environment" and "One of its core values is the protection of the natural environment" produced the Environment Index. From these data we could compare the control condition to 36 indexes from a CSR domain different than the one manipulated. In fact, 34 were above the control mean, which is highly significant by a sign test ($p<.01$). In addition, eight of these comparisons were individually significant by the Dunnett test ($p<.05$). The Dunnett test is a conservative test which compares many items to a common standard, and in doing so ensures that the probability any comparison in a set can arise from random error is reduced to the significance level of .05.

For each condition we conducted a multivariate analysis of variance (MANOVA). The dependent measure was the three classes of question from the domain not being manipulated. For instance, the dependent measure for the Environment condition was the Employee, Customer and Community questions. The MANOVA revealed significant differences for three of the four domains: Environment, $F(3,156)=12.5$, $p<.001$; Employee, F(3,156)=4.6, p=.004; and Customer, F(3,156)=3.9, p=.01. There was no main effect for the Community domain, although even here, as our subsequent analysis shows, it would be incorrect to say there was no evidence of a cross-domain halo for this domain.

Another way of looking at the data is given in Figure 4. This shows the difference between the control condition and the experimental condition for all classes of question. For instance, Figure 4(a) shows these mean differences for the community measures. The first three bars show the differences for the community measures when the CSR initiative was an environmental one. When the mean for the CSR condition is significantly different than that for the control group it is labelled with an asterisk. Significance levels were calculated using a Dunnett test, which accounts for the fact that multiple comparisons are being made. Thus clear support for a between domain effect is evident in the following comparisons:

- *Environment* initiatives (“green energy”, “waste reduction 1”, “waste reduction 2”), *employee* initiatives (“free child care”, “education”) and *customer* initiative (“healthy default”) more likely to lead to higher *community* ratings
- *Customer* initiative (“healthy default”) more likely to lead to higher *environment* ratings
- *Community* initiative (“educate delinquents”) more likely to lead to higher *employee* ratings

FIGURE 4

STUDY 2: HALO EFFECT RELATIVE TO CONTROL BY CATEGORY OF DEPENDENT MEASURE

PANEL A: COMMUNITY

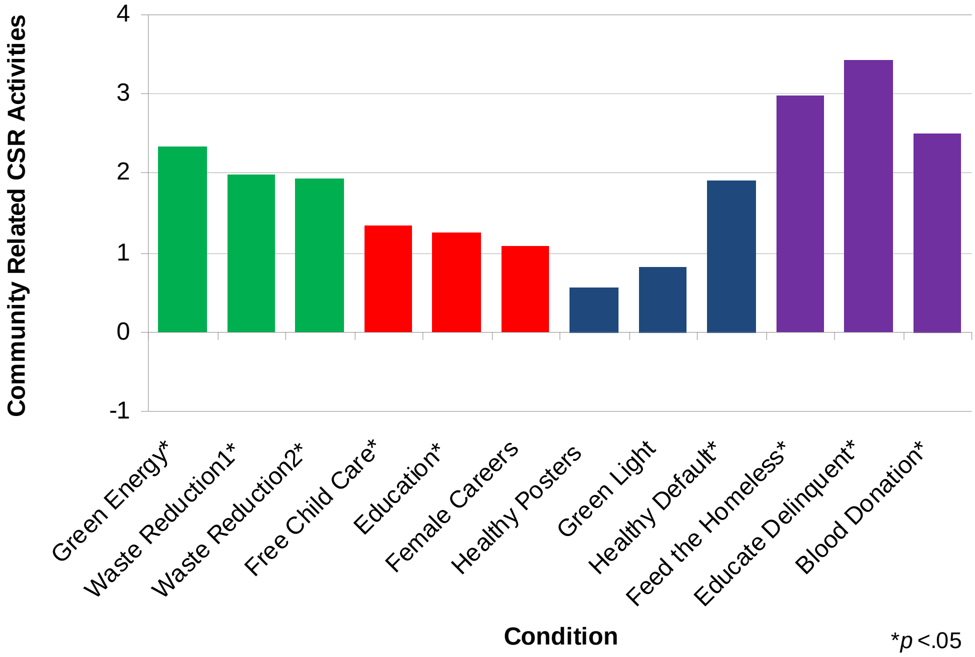
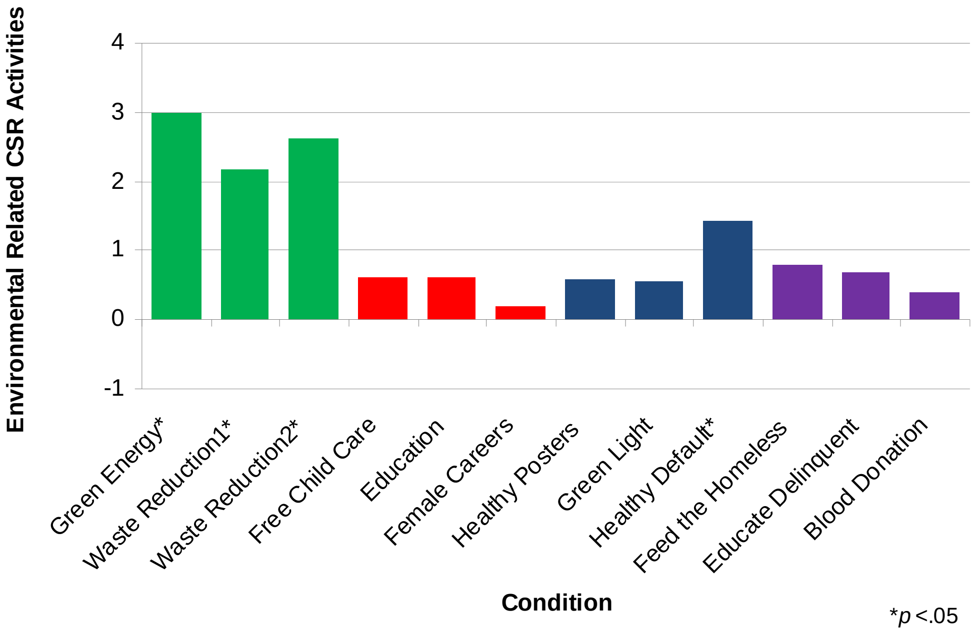


FIGURE 4

STUDY 2: HALO EFFECT RELATIVE TO CONTROL BY CATEGORY OF DEPENDENT MEASURE

PANEL B: ENVIRONMENT



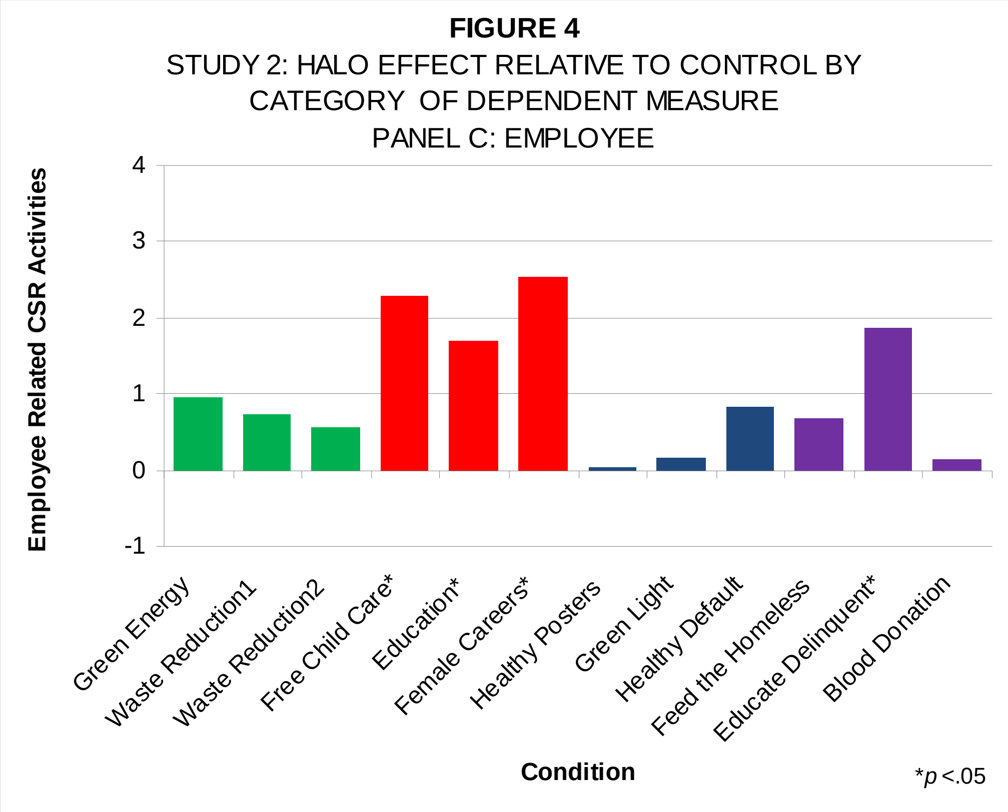


FIGURE 4
STUDY 2: HALO EFFECT RELATIVE TO CONTROL BY CATEGORY OF DEPENDENT MEASURE
PANEL C: EMPLOYEE
Employee Related CSR Activities
4
3
2
1
0
-1
Green Energy
Waste Reduction1
Waste Reduction2
Free Child Care*
Education*
Female Careers*
Healthy Posters
Green Light
Healthy Default
Feed the Homeless
Educate Delinquent*
Blood Donation
Condition
*p <.05

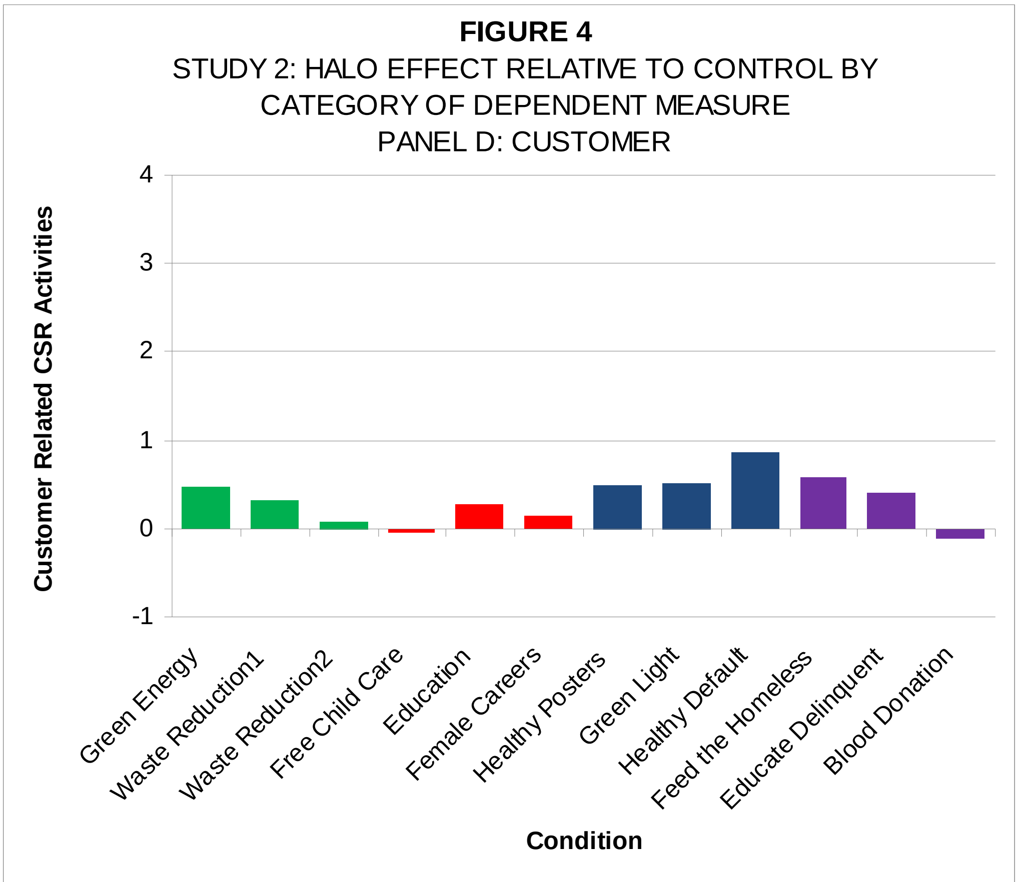


FIGURE 4
STUDY 2: HALO EFFECT RELATIVE TO CONTROL BY CATEGORY OF DEPENDENT MEASURE
PANEL D: CUSTOMER
Customer Related CSR Activities
4
3
2
1
0
-1
Green Energy
Waste Reduction1
Waste Reduction2
Free Child Care
Education
Female Careers
Healthy Posters
Green Light
Healthy Default
Feed the Homeless
Educate Delinquent
Blood Donation
Condition

DISCUSSION

What do we really know about the organizations that form such a central part of our lives, be it those we buy from as consumers or those we work for as employees? Thousands of Enron employees were clearly unaware of the fraudulent accounting practices that led to the firm's collapse and the $65 billion fraud admitted by Wall Street broker Bernard Madoff apparently was unknown to his employees. Consumers typically know far less about the organizations they buy from than those they work for and yet the premise—if not promise—of ethical consumerism is that informed consumers can promote corporate social responsibility.

Research on ethical consumerism (or socially conscious consumption) goes back at least 35 years (e.g., Webster 1975), but it is a topic today of growing interest in consumer research and marketing practice (e.g., Auger, et al., 2008; Irwin and Naylor 2009; Trudel and Cotte 2009; Wagner et al. 2009). Consumer preference for products deemed ethical / sustainable is expected to encourage firms to be more socially responsible. Some evidence suggests that this is becoming an increasingly mainstream phenomenon and no longer the preserve of niche market segments (e.g., Engardio 2007). But mainstream or not, what do consumers really know about the social responsibility of companies? How are their consumption decisions influenced by the limited information available to them on company CSR practices?

Our research suggests that consumers may well make inferences about company CSR performance on the basis of very limited information. The findings of Study I are clearly supportive of a within domain halo effect. This suggests that consumer awareness of one set of company CSR actions (e.g., recycling) will influence their perceptions of company CSR performance in other areas in the same domain (e.g., eco-friendly production) about which they have little or no information. The findings of Study II also support a between domain halo effect. This suggests that consumer awareness of company CSR actions in one domain (e.g., recycling initiatives in the environmental domain) will influence their perceptions of CSR performance in other domains about which they have little or no information (e.g., supporting the local community).

These findings have theoretical implications for ethical consumerism and the business case for CSR, as well as providing support for halo effect theory in a novel context. More specifically, they lend support to the idea of consumers as drivers of the "business case" for CSR on the basis of a halo effect. They also have important managerial and policy implications.

The CSR halo effect suggests consumers might extrapolate from a small number of examples of CSR-related practices. This is critical for business to understand, both in general and in the specific ways in which such behaviour is manifest. It has major implications for company CSR strategy, especially what initiatives are undertaken and how they are communicated. From a policy/consumer interest perspective, however, there is also a potential "dark side" to this research where companies might attempt to use the illusory CSR halo to manipulate consumer perceptions of CSR performance (in contrast to an arguably more legitimate exploitation of true halo). Conceivably, this is an explanation for charges of "greenwashing" by companies. It lends additional weight to the need for further research on this topic, as we discuss in conclusion.

Further Research

In further studies under development, we are investigating the boundary conditions of the halo effect: how and when it works. More specifically, we are looking at what we call "halo calibration." This is one way of exploring the "dark side" of the halo effect. Although the halo effect is often thought of as a bias, if it reflects existing intercorrelations between variables it can allow correct inferences to be made from minimal information (e.g., Cooper

1981). The halo may therefore reflect an existing correlation, known as a "true halo". Alternatively, it may reflect "halo error," a cognitive bias in which the correlations are inflated. Halo calibration is the relative contribution of true halo to the halo effect. A further study is planned that will draw on a unique data set provided by social responsibility rating agency Vigeo, which contains company profiles consisting of scores of CSR activities for hundreds of international firms.

In another planned study, we plan to investigate the limits of benefits from CSR activities by examining the marginal contribution, in positive consumer perceptions, of additional CSR activities. We hypothesize that as firms increase the scope of their reported CSR activities, there will be diminishing marginal benefits in consumer perception of the firm's overall CSR performance. As well as identifying potential boundary conditions to the halo effect, this diminishing returns hypothesis has practical implications. If supported, it would suggest that companies who engage in and communicate about numerous CSR actions across multiple domains are less likely to receive proportional benefit relative to companies who engage in more modest CSR activities. Again this speaks to the possible "dark side" of the CSR halo.

Finally, we are examining "halo valence"; specifically the effects of negative as well as positive CSR information. A countervailing force relative to company manipulation of the CSR halo is the possibility that "the truth will out" and bad information about company CSR performance will influence overall CSR evaluations (and perhaps to a proportionately greater extent if inconsistent with existing information).

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Europe Campus
Boulevard de Constance
77305 Fontainebleau Cedex, France
Tel: +33 (0)1 60 72 40 00
Fax: +33 (0)1 60 74 55 00/01

Asia Campus
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Tel: +65 67 99 53 88
Fax: +65 67 99 53 99

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