

## **Can Luxury Brands be Ethical? Reducing the Sophistication Liability of Luxury Brands**

*Running Head: Luxury Brands and Brand Ethicality*

### **Abstract**

Past research suggests that consumers may negatively evaluate luxury brands that engage in corporate social responsibility (CSR) because they do not perceive a consistency between luxury and ethical consumption (sophistication liability). As luxury is an increasingly relevant industry, it is important to understand how to promote ethical luxury consumption and cleaner production practices in luxury. This article extends previous findings and provides a framework that shows the conditions under which luxury and ethical consumption can be compatible. In particular, we find that consumers perceive sophisticated brands as less ethical than sincere brands when their social identity goals are salient (i.e., they focus on their social relationships); however, when consumers personal identity goals are salient (i.e., they focus on themselves), they perceive sophisticated brands as equally ethical as sincere brands. Finally, we also show that luxury brands' CSR actions should focus on the firms' own consumers whereas sincere brands' CSR actions should focus on society in general. This research contributes to the literature on sustainability by demonstrating when and how sophisticated brands can engage in socially responsible practices like CSR and cleaner production.

*Keywords:* corporate social responsibility, brand ethicality, brand personality, luxury brands, consumer identity goals.

## **Introduction: Corporate Social Responsibility and Luxury Brands**

Every year, brands invest billions of dollars in corporate social responsibility (The Economist 2015), in the hope of improving consumers' brand perceptions and attitudes. While extensive literature has examined the effects of ethics on consumer perceptions of non-luxury commodity brands (Brammer and Millington 2005; Hsu 2012; Maignan and Ferrell 2001; Moraes et al. 2017), research and practice of business ethics in luxury consumption has been more limited (Winston, 2016). Unfortunately for brands and beneficiaries of corporate social responsibility (CSR) activities, literature has shown that CSR does not always lead to improved perceptions of brand ethicality (Davies et al. 2012) and, particularly in the case of luxury brands, can even backfire. In contrast with non-luxury brands, luxury ones are often associated with concepts like self-enhancement (Torelli et al. 2012). The concept of self-enhancement itself may be perceived by consumers as not compatible with social responsibility, because the social responsibility implies a general benefit for society. When consumers do not perceive a consistency between the brand and CSR (Kapferer and Michaut-Denizeau 2017; Torelli et al. 2012), they may negatively perceive a brand's ethicality (i.e., the degree to which a brand is perceived to be ethical) and have worse brand attitudes. This literature suggests that CSR may be beneficial for some brands that present traits consistent with ethical behavior (e.g., brands concerned with moral obligations and promote society's well-being) but can hurt others with traits perceived to be inconsistent with ethical behavior (e.g., brands that satisfy self-enhancement need of consumers, luxury brands). This raises important concerns since consumer perceptions of CSR of brands affect their willingness to buy certain brands (Torelli et al. 2012) which, in turn, affects firms' decisions to invest in Corporate Social Responsibility.

A question that arises, thus, is "whether and how luxury brands can engage in CSR to

be perceived as more ethical by consumers, without incurring any adverse outcomes?" The answer to this question has important implications for business ethics and sustainability literature. Finding the conditions under which sophisticated brands can benefit (or at least not be worse-off) by doing CSR will be beneficial to both luxury brands and society in general.

This research builds on two streams of literature – namely, brand personality (Aaker 1997) and identity-based motivation (Oyserman 2009) – to shed light on conditions under which luxury and ethical consumption can be compatible. First, we establish a theoretical link between luxury brands and perceived ethicality of brands by demonstrating that while consumers associate luxury brands to a sophisticated brand personality (Aaker 1997), they perceive brand ethicality as a concept more compatible with sincere brands. Accordingly, when a luxury brand engages in CSR it is perceived as an incompatible brand behavior and lead to negative attitudes toward the brand. We call this effect the sophistication liability. Second, we explore the effect of identity-based motivation on how consumers perceive this incompatibility between brand sophistication and brand ethicality. Identity-based motivation theory (Oyserman 2009) proposes that people engage in actions congruent with the salient identity goals in each context. In this research, we explore the moderating role of identity goals on the sophistication liability of luxury brands.

Across three studies we theorize and demonstrate that luxury is associated with sophisticated brand personality; sophisticated brands are perceived to be less ethical than sincere brands (i.e., "sophistication liability"); and salient identity goals moderate the effect of brand personality and CSR activities on the perceived ethicality of brands. This research makes three important contributions to research on perceptions of the ethicality of luxury brands. First, we advance the understanding of luxury brands within business ethics domain, showing that brand sophistication – a brand personality dimension closely related to luxury – decreases perceived ethicality. Previous research examined the negative effect of specific

consumption motives such as self-enhancement needs on CSR information (Torelli et al. 2012); we contribute to the literature by providing an explanation on how brand personality influences perceived ethicality of luxury brands. Second, we demonstrate that, contrary to what previous research suggests, luxury brands are not always negatively affected by engaging in CSR. We provide evidence for the moderating role of salient consumer identity goals on the effects of brand personality on perceived brand ethicality. In doing so, this research contributes to recent literature focusing on CSR congruence and ethical behaviors (Haski-Leventhal et al. 2017; Skilton and Purdy, 2017). Third, we advance in the perspective of the company–cause fit (Janssen et al. 2014; Marín et al. 2016). We provide evidence that identity goals moderate consumers' preference for the fit between a brand's personality and its CSR activities. More specifically, we demonstrate that consumers (when their social identity goals are salient) perceive a greater fit when a sophisticated brand engages in a CSR activity focusing its consumers and when a sincere brand engages in a CSR activity focusing on society. In other words, luxury brands should invest in CSR activities that focus on their consumers' (vs. society's) benefit and that this fit is perceived by consumers only when they have salient social identity goals, but not when they have salient personal identity goals.

### **The Sophistication Liability of Luxury Brands**

Consumers perceive brands as ethical if they “actively do something good and have a positive impact on the community by means of proactive social engagement and philanthropy,” or simply, “act in a socially responsible way” (Brunk 2012, p. 557). CSR is the way companies act to protect and improve the welfare of society and the interest of organizations (Davis and Blomstrom 1975). The core of CSR deals with the societal aspects

and challenges of the economic process (Hiss, 2009). It is related to a company's societal obligations towards different stakeholders, such as consumers and society in general (Brown and Dacin 1997). Research on business ethics has suggested that when consumers perceive a company as socially responsible, such perceptions may have a positive impact on brands of the company. For example, companies that engage in CSR may have more positive brand evaluations (Bhattacharya and Sen 2003; Brown and Dacin 1997; Marin et al. 2009), higher brand value (Hsu 2012; Lai et al. 2010), higher quality perceptions (McWilliams and Siegel 2001), greater purchase intentions (Mohr and Webb 2005), and higher customer satisfaction (Luo and Bhattacharya 2006; Pivato et al. 2008). Additionally, consumers are more likely to identify with ethical brands (Bhattacharya and Sen 2003; Sen et al. 2006). Hence, companies invest more in CSR activities to improve consumers' perception regarding brand ethicality and attain their support (Hsu 2012; Peattie and Charter 1992).

However, not all CSR activities impact consumer evaluations positively. For instance, consumers tend to reward brands when they trust in their prosocial positions (Hur et al. 2014) but dislike brands that engage in CSR activities primarily for selfish reasons (e.g., to have better consumer evaluations) rather than sincerely being interested to contribute to social welfare (Alcañiz et al. 2010; Chernev and Blair 2015). More importantly, the literature suggests that the effectiveness of CSR activities depends on whether the activities are perceived as congruent with the brand's personality (Ellen et al 2006; Janssen et al. 2014). Brand personality refers to the attribution of human traits such as sincerity, excitement, competence, ruggedness, and sophistication to brands (Aaker 1997). Consumers perceive brands to have certain personalities and then expect them to behave in line with their personalities. Hence, brands should be careful in their choice of CSR activities and selecting those activities that would be perceived as consistent with their personality. Incongruent choice of CSR activities may affect the brand-consumer relationship negatively, as brands no

longer seem to be acting true to their origin.

In this research, we specifically focus on luxury brands. Luxury consumption has historically been associated with an unethical perspective as it is perceived as conspicuous and incompatible (Beckham and Voyer 2014; Chaudhuri and Majumdar 2006; Godey et al. 2012). For example, luxury products are seen as conspicuous (i.e., not necessary), therefore can be perceived as a form of “cultural elitism” (Chaudhuri and Majumdar 2006). In addition, ethicality and luxury were often implied to be incompatible, since people hold beliefs that luxury shoppers would react negatively to sustainable luxury: “The people who normally buy from Gucci would not be inclined to buy sustainable shoes...” (Beckham and Voyer 2014, p. 248). Despite increased research on luxury brands (Han et al. 2010; Janssen et al. 2014; Kapferer 2014; Wiedmann et al. 2009), there are limited studies focusing on ethical considerations within luxury consumption (Achabou and Dekhili 2013; Carrigan et al. 2013; Davies et al. 2012; Moraes et al. 2017; Wilser 2018). Davies et al. (2012) show that consumers’ propensity to consider ethics is significantly lower in luxury purchases when compared to commoditized purchases. Achabou and Dekhili (2013) argue that consumers consider corporate responsibility as a secondary concern within the context of luxury consumption, in comparison to quality and brand reputation, and hence use of recycled materials in luxury products can undermine such products’ value (Achabou and Dekhili 2013).

Luxury consumption often entails self-enhancement motives (i.e., pursuit of status, success, and prestige) which share common features with sophisticated brands (i.e., associated with upper class, glamorous, and good-looking; Aaker 1997). People sometimes rely on luxury brands to satisfy their self-enhancement need. Self-enhancement mainly refers to the pursuit of self-interest and people’s own relative success over others (Schwartz 1992) and self-enhancing consumers are less engaged in ethical behavior (e.g., Doran 2009; Follows and

Jobber 2000; Schultz et al. 2005; Pinto et al. 2014). For example, a consumer with self-enhancement needs may prefer to buy a luxurious but polluting car than to buy a small electric car that is less polluting. That can be explained because since self-enhancement is related to the notion of status, consumers imply that sustainable luxury products do not carry as much status-increasing social capital as non-sustainable luxury products (Voyer and Beckham, 2014). Accordingly, brands that promote self-enhancement (i.e., individualistic interests that comprise self-achievement and power over others) may be perceived as less socially responsible. Thus, it is possible that consumers do not perceive sophisticated brands to be ethical. In contrast, sincere brands are perceived to possess traits like “honest,” “real,” and “trustworthy” (Aaker 1997). These features are compatible with brands that want to do good for the society consistent with ethical aspects.

Therefore, we suggest that consumers use brand personality to make inferences about brand ethicality. As a result, we predict that sophisticated brands (e.g., luxury brands) may be perceived as less ethical than sincere brands – a phenomenon we label the *sophistication liability*. Specifically, we hypothesize that:

**H<sub>1</sub>.** Sophisticated brands will be perceived as less ethical than sincere brands.

### **Identity Goals and Perceived Brand Ethicality**

Identity-based motivation theory suggests that people tend to be more attentive to information, process it, and consequently act upon it when information is compatible with their salient identity goals – either personal or social identity goals (Aaker and Akutsu 2009; Kirmani 2009; Maitner et al. 2010; Petty et al. 1981; Shavitt et al. 2009; Oyserman 2009). For

instance, Bee and Dalakas (2015) demonstrate that social identity influences information processing in ways that are favorable for in-group (vs. out-group) associations. Salazar and colleagues (2013) argue that identity goals can modify the relative importance of prosocial behaviors, such as purchasing decisions regarding environmentally friendly products versus conventional ones. Oyserman and colleagues (2009) suggest that personal identity makes people focus on goals that are not associated with membership in a social group or relationship, whereas social identity makes people focus on goals associated with a group or social role. For example, managers are likely to make more self-centered rather than altruistic decisions when their personal identity is salient. In contrast, they behave less selfishly in their interaction with employees when their social identity is salient. Consumers with salient social identity goals are more likely to consume in a sustainable way (Griskevicius et al. 2010), tend to make more ethical choices (Szmigin et al. 2009), and promote prosocial behaviors than those with salient personal identity goals (Goldsmith and Goldsmith 2011). Salazar et al. (2013) found that social identity goals can increase consumers' tendency to purchase ethical products over conventional ones.

Building on the identity-based motivation theory (Oyserman 2009), we propose that salient identity goals (personal vs. social) will affect the impact of brand personality on consumers' perception of brand ethicality. We have already mentioned that we expect consumers to make brand ethicality inferences based on a brand's personality. We additionally argue that salient social identity goals will draw more attention to a brand's ethicality, increasing the effects of brand personality on perceived brand ethicality. Conversely, consumers with salient personal identity goals will be less attentive to societal concerns, so their brand evaluation will be less influenced by their inferences based on brand personality. Hence, we hypothesize that sophisticated brands will be perceived as less ethical than sincere brands when social personality goals are salient, but this difference will be

attenuated when personal identity goals are salient. In other words, personal identity goals will reduce the sophistication liability.

**H<sub>2</sub>.** Identity goals moderate the effects of brand personality on perceived brand ethicality.

H<sub>2a</sub>. When social identity goals are salient, sophisticated brands (vs. sincere brands) will be perceived as less ethical.

H<sub>2b</sub>. When personal identity goals are salient, the difference in perceived brand ethicality between sincere and sophisticated brands will be reduced.

### **CSR Focus and Luxury Brands**

Consumers expect brands to behave responsibly and perform activities for the welfare of their consumers and public in general, even though the main motive of brands is to earn a profit (Sayin and Gurhan-Canli 2015). Companies are perceived as responsible when they entail conformity with law and ethics on issues such as environmental protection, human resources management, safety at work, and relations with consumers, suppliers, and local communities (Branco and Rodrigues 2006). Corporate social responsibility can be costly because it requires companies to purchase environmentally friendly equipment, to implement additional quality controls, health, and safety programs and to communicate their activities effectively with the public. Although CSR is generally associated with promoting the well-being of society at large, it is possible to classify CSR activities according to its beneficiary. White and Simpson (2013) suggest that CSR activities may generate consumer or society benefits. Consumer-focused activities are those that benefit primarily the consumers of a

brand, like the development of healthy products. Society-focused activities refer to those activities whose benefits extend to a broader population, like the development of waste reduction campaigns.

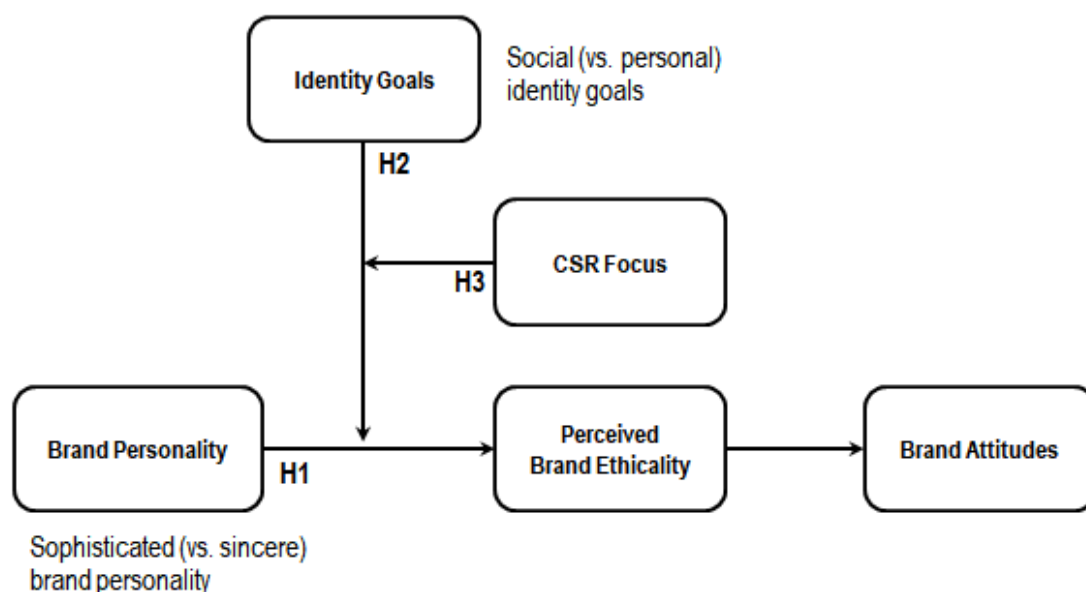
Firms usually engage in corporate social responsibility activities, expecting to gain some competitive advantage. They communicate their activities to enhance brand evaluations (Sen and Bhattacharya 2001), increase customer loyalty (Du, Bhattacharya, and Sen 2007), and to ease the effects of any future negative publicity (Klein and Dawar 2004). Schwartz and Carroll (2003) argue that CSR activities are intended to have either a direct or indirect positive impact on the corporation in question. In this case, consumer-focused activities may include actions intended to increase company's profit whereas society-focused activities may include activities that are designed to improve the company's reputation (Schwartz and Carroll, 2003). Chernev and Blair (2015) argue that how consumers perceive CSR activities of a company depends on the perceived motivation of the company to engage in such activities. Specifically, CSR activities are perceived as less positive when they are related to a brand's self-interest (a potential direct monetary benefit for the company) than when it is unrelated to the brand's product as monetary donations to ethical causes (i.e., social interests). Consequently, CSR activities that directly benefit a brand's customers may be perceived as less positive than CSR activities that benefit society. However, if consumers are not attentive to the company motivation, then their evaluations would not be affected by who is benefited from the CSR activities (customers vs. society).

Building on identity-based motivation theory (Oyserman 2009), we propose that consumers' salient identity goals may also influence their evaluations for brands' corporate responsibility activities. Previous research reveals that people engage in congruent choices or preferences along with the salient identity goals (e.g., White and Simpson 2013). For instance, Chan et al. (2012) demonstrate that when social identity goals of consumers are salient, they choose clothes that are consistent with their group social identity. We propose

that consumers become more attentive to CSR information when they have social (vs. personal) identity goals. Accordingly, when they have social identity goals, they prefer a brand to engage in corporate social responsibility activities that are consistent with the brand personality. When their social identity goal is not salient, they do not pay as much attention to whether the CSR activities are consistent with the brand personality. Additionally, consumers perceive a greater fit between sincere (sophisticated) brand personality and CSR activities benefiting society (brand consumers). Accordingly, we hypothesize that when social (vs. personal) identity goals are salient, consumers will prefer CSR activities that focus on consumers for sophisticated brands and on society for sincere brands:

**H<sub>3</sub>.** Consumer identity goals moderate the preference of CSR activities depending on the fit with the brand personality. When social (personal) identity goals are salient, consumers will prefer CSR activities that focus on consumers (society) for sophisticated (sincere) brands.

Figure 1 presents our theoretical model and summarizes the hypotheses.



**Figure 1:** Theoretical Model and Hypotheses

## Overview of the Studies

The current research consists of one pilot study and two experimental studies. The pilot study establishes that the concept of luxury is associated with sophisticated brands and provides evidence for the sophistication liability whereby consumers perceive sophisticated brands to be less ethical than sincere brands. Study 1 demonstrates the moderating role of identity goals on the sophistication liability as well as the downstream consequences for consumers' attitudes towards brands. In particular, it establishes that perceptions of ethicality depend not only on the brand personality (sophisticated vs. sincere) but also on consumers' salient identity goals (personal vs. social). Study 2 further refines our theory by exploring how consumers' identity goals influence the importance of the congruence between brand personality and focus of CSR activities (consumer vs. society). Specifically, this study demonstrates that consumers prefer CSR activities that are congruent with the brand personality, only when they have salient social identity goals.

## **Pilot Study: Brand Personality Associations with Brand Ethicality and Luxury**

The pilot study explores consumers associations about brand personality, brand ethicality, and luxury. The objective is to explore our assumption on whether sophisticated brands are perceived as more luxurious while sincere brands are perceived as more ethical. Furthermore, we examine whether these two brand personalities (sincere and sophisticated) are the most relevant for studying the effects of brand ethicality and luxury.

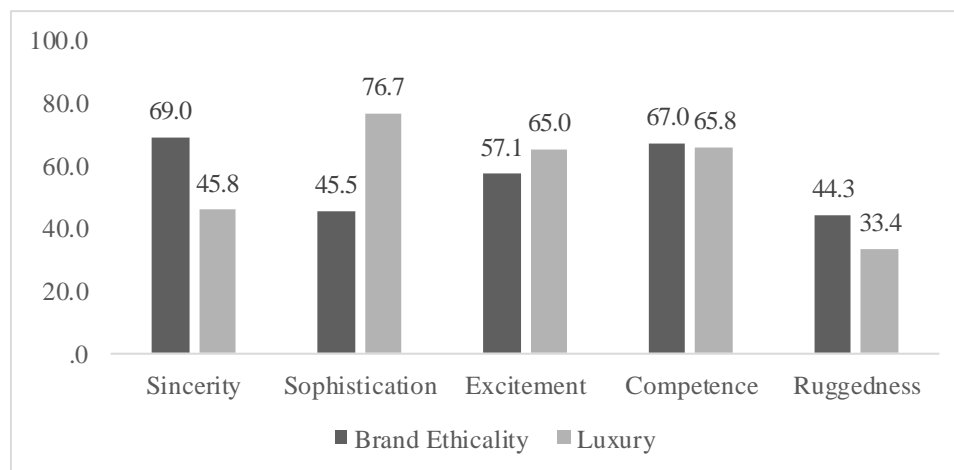
### *Participants and Procedure*

One hundred twenty-one participants (55% Female;  $M_{\text{age}} = 40.8$ ,  $SD = 14.6$ ) were recruited from an online panel and were asked to indicate whether they perceived Aaker's (1997) brand personality scale of sincerity, sophistication, excitement, competence, and ruggedness (See appendix A) as related with brand ethicality or luxury in a scale from 0 (not at all related) to 100 (highly related). The scale items belonging to the same dimension were averaged to obtain a score for each personality dimension.

### *Results*

The results confirm that a sincere brand personality is more strongly associated to brand ethicality ( $M = 69.0$ ) than to luxury ( $M = 45.8$ ;  $F_{(1,119)} = 37.35$ ;  $p < .001$ ). Conversely, a sophisticated personality is more strongly associated to luxury ( $M = 76.7$ ) than to brand ethicality ( $M = 45.5$ ;  $F_{(1,119)} = 63.03$ ;  $p < .001$ ). Results also show that perceived brand ethicality is more strongly associated to sincere ( $M = 69.0$ ) than to sophisticated brand

personality ( $M = 45.5$ ;  $t_{(1,59)} = 7.854$ ,  $p < .001$ ), whereas luxury is more strongly associated to sophisticated ( $M = 76.7$ ) than to sincere brand personality ( $M = 45.8$ ;  $t_{(1,60)} = -9.361$ ,  $p < .001$ ). Moreover, there is no statistically significant differences between perceived brand ethicality and luxury for exciting and competent brand personalities. However, ruggedness is more associated with perceived brand ethicality ( $M = 44.3$ ) than with luxury ( $M = 33.4$ ;  $F_{(1,119)} = 5.34$ ;  $p < .05$ ). Despite this statistically significant difference, ruggedness has the weakest association for both perceived brand ethicality and luxury when compared to the other personality dimensions.



**Figure 2:** Perceived Brand Ethicality and Luxury Results of Pilot Study

### *Discussion*

The pilot study suggests that the perceived brand ethicality depends on the brand personality: sophisticated vs. sincere. Whereas participants perceived higher levels of brand ethicality for sincere brands, sophisticated brands were perceived as having lower levels of brand ethicality, providing support for our prediction ( $H_1$ ). Thus, the pilot study confirms our assumptions about the associations between luxury brands and a sophisticated brand

personality and between brand ethicality and a sincere brand personality. We refer to the disadvantage of sophisticated brands vis-a-vis sincere brands in perceived ethicality as the “sophistication liability.” In Study 1, we extend these findings by also testing the moderating role of identity goals on brand personality effects on perceived brand ethicality (H<sub>2</sub>).

### **Study 1: The Moderating Role of Identity Goals**

The objective of Study 1 was to test our prediction that identity goals moderated the effects of brand personality on perceived brand ethicality (H<sub>2</sub>). We tested our hypotheses that when social identity goals were salient, consumers would perceive sincere brands as more ethical than sophisticated brands (H<sub>2a</sub>) and when personal identity goals were salient, the difference in perceived brand ethicality between sincere and sophisticated brands would be attenuated (H<sub>2b</sub>).

Study 1 extends the pilot study in three ways. First, this study provides evidence for the sophistication liability effects using a real brand. Second, Study 1 analyzes the effects of brand personality on a new dependent variable: brand attitude. Third, Study 1 manipulates brand personality (sincere, sophisticated, and control) while keeping all other aspects of the brand (including brand name) constant. We measure consumers’ perception of brand ethicality for sophisticated and sincere brands against a control condition (no brand personality information). This allows us to examine whether it is sincere brands that benefit or sophisticated brands that lose from CSR, or both. Finally, this study analyzes the downstream consequences of the interaction between brand personality and identity goals on brand attitude via perceived brand ethicality. Thus, Study 1 tests hypotheses H<sub>2</sub>, H<sub>2a</sub> and H<sub>2b</sub>.

### *Pretest*

Prior to study 1, we conducted a pretest to evaluate consumer perceptions regarding a set of twenty-six brands of athletic shoes. Our goal was to find a brand that had neutral perceptions in terms of sophistication and sincerity.

Fifty-three participants from an online panel took part in the pretest (72% male;  $M_{\text{age}} = 33.1$ ,  $SD = 9.9$ ). Participants received the following information about sincere brands “Sincere brands score highly in the following characteristics: down-to-earth, family-oriented, honest, real, wholesome, original, cheerful, sentimental, and/or friendly” and sophisticated brands “Sophisticated brands score highly in the following characteristics: upper-class, glamorous, good-looking, charming, feminine, and/or smooth”, before they were asked to evaluate specific brands on brand sincerity and sophistication. Participants evaluated twenty-six brands of athletic shoes on brand sincerity (1-not sincere at all to 7-extremely sincere) and brand sophistication (1-not sophisticated at all to 7-extremely sophisticated). The pretest showed that the brand “Mizuno” had similar levels of brand sincerity and sophistication and that these perceptions were not significantly different from the scale midpoint ( $t_{(1,52)} = -.590$ ,  $p = .558$ ;  $ns$ ;  $M_{\text{sincerity}} = 4.00$ ;  $M_{\text{sophistication}} = 4.12$ ). Thus, in study 1 we used the brand Mizuno and included additional information to describe it either as a sincere or a sophisticated brand.

### *Participants and design*

One-hundred seventy-five U.S. participants (52% male;  $M_{\text{age}} = 34.6$ ,  $SD = 10.4$ ) were recruited through an online panel in exchange for a fee. Study 1 examined the interaction effect of identity goals and brand personality on perceived brand ethicality and the downstream consequences on brand attitude. Thus, Study 1 employed a 2 (identity goal: personal vs. social) x 3 (brand personality: sophisticated vs. sincere vs. control) between-subjects experimental design.

### *Procedure and stimuli*

Participants were first randomly assigned to one of the two identity goal manipulations (personal vs. social). Identity goals were made salient by using the Similarities and Differences with Family and Friends task (SDFF task – adapted from Oyserman and Lee 2007) that emphasized participants' similarities with, and differences from, family and friends. The SDFF task required participants to think about characteristics that made them different (personal identity) or similar (social identity) to their family and friends. Then, participants in the personal condition wrote down three statements describing how they differed from their friends and family and three sentences regarding the expectations they had about themselves independently from the opinion of others. For the social identity, participants wrote down three statements describing how they were similar to their family and friends and three sentences regarding the expectations that family and friends had of them.

After completing the identity goal manipulation, participants were assigned to the brand personality conditions (sincere vs. sophistication vs. control). Participants were asked to read the ostensible “results of a consumer survey undertaken by a major research agency” about Mizuno. Participants in the sincere brand personality condition read the following information: “95% of the respondents strongly agree that Mizuno is a brand which is highly honest. Typical responses are: I wear Mizuno because it is original and down-to-earth, and I feel Mizuno has this 'sincerity' associated with it”. Participants in the sophisticated brand personality condition read the following information: “95% of the respondents strongly agree that Mizuno is a brand which is highly sophisticated. Typical responses are: I wear Mizuno because it is good looking and trendy, and I feel Mizuno has this 'glamour' associated with it”. In the control condition, participants read the following information: “95% of the respondents

strongly agree that Mizuno is a brand which is well-known. Typical responses are: I wear Mizuno because it is always true to size and I feel Mizuno has the models I look for”.

### *Measures*

Perceived brand ethicality was measured with a four-items ( $\alpha = .933$ ) seven-point Likert scale (1- strongly disagree to 7- strongly agree) adapted from Grohmann and Bodur (2015). The items evaluated were: “I believe this brand is ethical”, “I believe this brand is socially responsible”, “I believe this brand is socially conscious”, and “I believe this brand is sustainable”.

The brand attitude was measured using a four-item ( $\alpha = .958$ ) seven-point semantic differential scale (Park et al. 2010; Suh and Youjae 2006). Specifically, participants evaluated brand attitude with the following items: “Unfavorable/Favorable”, “Negative/Positive”, “Bad/Good”, and “Unpleasant/Pleasant”.

The manipulation check for identity goals consisted of the narratives from the SDF task (adapted from Oyserman and Lee 2007). Two independent judges read each one of the identity comments made by the participants and classified them as either salient social or personal identity. The scale ranged from 1 (strong salient personal identity) to 7 (strong salient social identity). The cases that had both descriptions were classified in the scale midpoints (e.g., “4”). Results from one-way ANOVA revealed a main effect of identity goal manipulation on identity comments made by participants ( $F_{(1\ 173)} = 194.07; p < .001$ ). Results showed that participants in social identity goal condition had more salient social identity descriptions ( $M = 5.09$ ), and participants in personal identity goal condition had more salient personal identity descriptions ( $M = 2.21$ ).

## Findings

*Perceived Brand Ethicality.* Results from 2x3 ANOVA revealed a statistically significant effect of the interaction between identity goals and brand personality on perceived brand ethicality ( $F_{(2, 169)} = 5.74; p < .01$ ). Planned contrasts showed that participants with salient social identity goals reported significantly higher perceptions of brand ethicality ( $F_{(2, 169)} = 11.62; p < .001$ ) for sincere than for sophisticated brand personality ( $M_{sincere} = 5.31; M_{sophisticated} = 3.93; p < .001$ ) or control condition ( $M_{sincere} = 5.31; M_{control} = 4.61; p < .01$ ). These participants also reported higher perceptions of brand ethicality in the control personality condition than in the sophisticated brand personality condition ( $M_{sophisticated} = 3.93; M_{control} = 4.61; p < .05$ ). These results provided support for H<sub>2a</sub>. In addition, results showed that brand personality had no effect on perceptions of brand ethicality among participants with salient personal identity goals ( $M_{sincere} = 4.62; M_{sophisticated} = 4.66; M_{control} = 4.58; F_{(2, 169)} = 0.04; p = ns$ ). These results provided support for H<sub>2b</sub>. Therefore, H<sub>2</sub> was fully supported. Figure 3 illustrates the results of identity goals and brand personality interaction on perceived brand ethicality.



**Figure 3:** Perceived Brand Ethicality Results of Study 1

*Brand Attitude.* Results from a 2x3 ANOVA showed that the interaction effect between identity goals and brand personality on brand attitude was also statistically significant ( $F_{(2, 169)} = 4.10; p < .05$ ). Planned contrasts revealed that participants with salient social identity goals reported higher brand attitudes ( $F_{(2, 169)} = 10.00; p < .001$ ) for sincere than for sophisticated brand personality ( $M_{sincere} = 5.63; M_{sophisticated} = 4.29; p < .001$ ) or control condition ( $M_{sincere} = 5.63; M_{control} = 5.05; p < .05$ ). Furthermore, participants with salient social identity goals reported more positive brand attitudes for the control brand personality than for the sophisticated brand personality ( $M_{sophisticated} = 4.29; M_{control} = 5.05; p < .05$ ). In addition, contrasts results showed that participants with salient personal identity goals reported equal brand attitudes ( $F_{(2, 169)} = 0.07; ns$ ) for sincere and sophisticated brand personality, and control condition ( $M_{sincere} = 5.10; M_{sophisticated} = 4.99; M_{control} = 4.99; ns$ ).

*Moderated Mediation.* We analyzed the effect of brand personality on brand attitude through perceived brand ethicality for different identity goals (model 8 - Hayes 2013). Brand

personality was contrast coded as -1 (sophisticated brand), 0 (control), and +1 (sincere brand). Results of the bootstrap analysis supported that the indirect effect of highest order product of brand personality and identity goals through perceived brand ethicality was significant (indirect effect (a x b) = -.56; 95% CI: -.96 to -.20). When social identity goals were salient, the indirect effect of perceived brand ethicality was significant and did not include zero than the direct effect (indirect effect (a x b) = .54; 95% CI: .28 to 0.82; direct effect [c] = .13, ns). Thus, results suggest that for participants in social identity goals, the effects mediated through perceived brand ethicality are stronger than the direct effect of sincere brand personality on brand attitude. In contrast, when personal identity goals were salient, the indirect effect of perceived brand ethicality was not significant ((a x b) = -.02; 95% CI: -.30 to 0.25) and the direct effect of brand personality on brand attitude was not significant either ([c] = .07, ns). Thus, the results suggest that for participants with salient personal identity goals, there is no mediation effect of perceived brand ethicality on brand attitude.

### *Discussion*

Study 1 extends our previous findings in important ways. First, it sheds light on the moderating role of consumer identity goals on the effects of brand personality on perceived brand ethicality (H<sub>2</sub>). We find that for consumers with salient social identity goals, brand personality affects perceived brand ethicality: brand sophistication lowers perceptions of brand ethicality (H<sub>2a</sub>) and brand sincerity increases perceptions of brand ethicality relative to a control condition. However, more interestingly, for consumers with salient personal identity goals, this sophistication liability disappears, and sophisticated brands are perceived to be as ethical as sincere and control brands (H<sub>2b</sub>). Second, it also reveals the effects of brand personality and identity goals on brand attitude via perceived brand ethicality. These findings suggest that consumers' lower perceptions of the ethicality of sophisticated brands are also

reflected in their brand attitudes. Thus, the moderating role of identity goals, particularly that of personal identity goals, can minimize the sophistication liability on consumers' perceptions of brand ethicality and, consequently, on brand attitude. The next study extends our model and examines consumers' preferences for the fit between the focus of CSR activities and brand personality when consumers are in social (vs. personal) identity goals (H<sub>3</sub>).

## **Study 2: Mitigating the Sustainability Liability of Luxury Brands**

So far, we have demonstrated that sophisticated brands are perceived to be less ethical than sincere brands (pilot study) and that this effect holds only when participants have salient social identity goals but disappears when they have salient personal identity goals (study 1). Previous research has identified some conditions under which luxury brands may be compatible with CSR. For example, Janssen et al. (2014) have found that luxury brands that produce scarce but enduring products are perceived to have a better fit with CSR than a more widely available one. Janssen et al. (2014) provided a condition whereas luxury brand may be perceived as more socially responsible, by demonstrating that a diamond ring (scarce and enduring product) in comparison to a *prêt-à-porter* dress (more readily available and ephemeral product) is perceived as “responsible luxury” (i.e. less consumption due to lasting product) to consumers. Additionally, company-cause fit has been shown to be an important driver of CSR evaluations (Marin et al. 2015). As mentioned before, CSR activities can provide benefits to a company's customers (customer focus) or to society in general (society focus). In this study, we explore whether there may be a perceived fit between a brand's personality and beneficiary of its CSR activities. More specifically, we examine how brand personality and identity goals affect consumers' preferences for the CSR activities that focus on customers vs. society (H<sub>3</sub>). In line with our theorizing, we hypothesize that when social

(vs. personal) identity goals are salient, consumers will prefer social responsibility activities that match brand personality (i.e., consumer focus for sophisticated brands and society focus for sincere brands).

### *Pretest*

Sophisticated and sincere brands in Study 2 were pretested in a separate study with fifty-five undergraduate students from a major university that were representative to those in the main study (45.5% female;  $M_{\text{age}} = 27.2$ ,  $SD = 7.3$ ). Specifically, we asked participants to classify a set of established chocolate brands (e.g., Ferrero, Hershey's, Lindt, Milka) as sophisticated or sincere in a 7-point semantic differential scale (1- sincere brand to 7- sophisticated brand). Before answering, they read a brief description of each brand personality definition according to Aaker (1997). Paired-samples T-test ( $t_{(54)} = 11.38$ ,  $p < .001$ ) indicated that Ferrero Rocher was perceived to be the most sophisticated brand among the set of brands ( $M = 6.11$ ), while Lacta Mondelez was perceived to be the sincerest brand ( $M = 4.16$ ). Thus, we chose Ferrero Rocher (sophisticated brand personality) and Lacta Mondelez (sincere brand personality) for the main study.

### *Participants and design*

One-hundred and six undergraduate students (54.3% female;  $M_{\text{age}} = 24.2$ ,  $SD = 6.4$ ) volunteered to take part in the study and were not paid. Study 2 followed a 2 (identity goal: personal vs social) x 2 (brand personality: sophistication vs. sincerity) between-subjects experimental design.

### *Procedure and stimuli*

Participants first completed the identity goals manipulation as in Study 1 (SDFF task; adapted from Oyserman and Lee 2007), and then the brand personality manipulation. Study 2 used two different chocolate brands selected from the pretest: Ferrero Rocher (sophisticated brand) and Lacta Mondelez (sincere brand). Participants in the sophisticated brand personality condition read the following information: “Ferrero Rocher is a sophisticated, upper class and glamorous company focused on the production of sophisticated chocolates” (adapted from Aaker 1997). Participants in the sincerity brand personality condition read the information that “Lacta Mondelez is a sincere, honest and real company, focused on the production of real chocolate” (adapted from Aaker 1997).

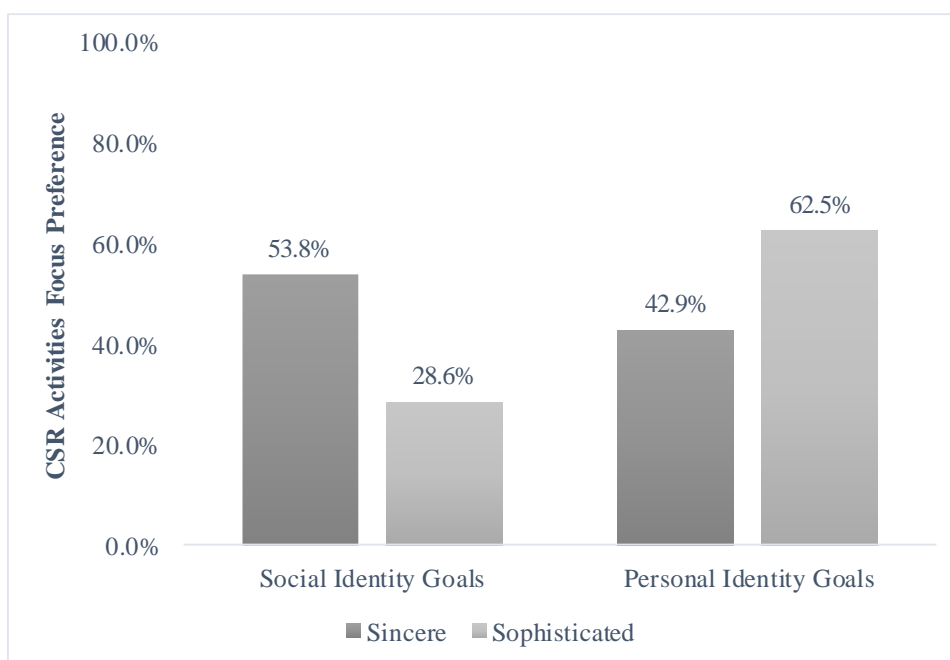
### *Measures*

Participants’ preference for CSR focus was measured as the dependent variable in Study 2. After the manipulations, participants were asked to indicate which of two CSR activities the brand should adopt: the first action presented a consumer focus (e.g., “healthier products”) whereas the second action presented a society focus (e.g., “sustainable products”) (adapted from White and Simpson (2013)). Specifically, participants were given the following instructions: “The brand intends to invest in new projects. Which of these projects do you think is the most appropriate for the brand?” In the consumer focus option, the brand promoted a healthier diet with lower levels of sugar and fats as a CSR activity whereas in the society focus option the brand promoted products that used renewable energy. After indicating their choice for the CSR activity, participants were asked to evaluate if the brand engaging in the activity was sincere or sophisticated, as a manipulation check.

### *Results*

*Manipulation check.* Results from one-way ANOVA showed that the main effect of brand personality on participants' perception of brand personality was statistically significant ( $F_{(1, 104)} = 84,92; p < .001$ ). Specifically, the sophisticated brand (i.e., Ferrero Rocher;  $M_{\text{sophisticated}} = 6.02$ ) was perceived to be more sophisticated than the sincere brand (i.e., Mondelez Lacta;  $M_{\text{sincere}} = 3.81$ ). These results demonstrated that the manipulation worked as expected.

*CSR focus preference.* Choices of CSR activities were coded such that higher percentages indicate a greater preference for society-focused activities and lower percentages indicate a greater preference for consumer-focused activities. We conducted a chi-square test on participants' preference of CSR focus variable. Results revealed a significant interaction between brand personality and identity goals on consumers' preference of CSR focus ( $\chi^2_{(1)} = 5.24, p < .05$ ). Post hoc tests demonstrated that when social identity goals were salient, participants chose CSR activities that focused on consumers for sophisticated brands and on society for sincere brands ( $M_{\text{sincere}} = 53.8\%$  vs  $M_{\text{sophisticated}} = 28.6\%$ ;  $p < .05$ ), supporting H<sub>3</sub>. However, when personal identity goals were salient, brand personality did not influence the preference of CSR focus ( $M_{\text{sincere}} = 42.9\%$  vs  $M_{\text{sophisticated}} = 62.5\%$ ; *ns*). Figure 4 illustrates the CSR focus results of Study 2.



**Figure 4: CSR Focus Results of Study 2**

### *Discussion*

Study 2 replicates the findings of the moderating role of consumer identity goals on brand personality effects reported in study 1. Study 2 additionally demonstrates that consumers are more likely to prefer a CSR focus consistent with the brand personality when they have salient social identity goals. Specifically, we find that consumers in social (vs. personal) identity goals prefer CSR activities whose focus is consistent with the brand personality. Those consumers prefer consumer focused activities for sophisticated brands and society focused activities for sincere brands ( $H_3$ ). These results provide insights for sophisticated brands that invest in CSR activities on how to mitigate the sophistication liability.

### **General Discussion**

Across our studies, we demonstrate that sophisticated brands (e.g., luxury brands) are perceived to be less ethical than sincere brands (i.e., sophistication liability; pilot study), which is consistent with literature on self-enhancement products (Torelli et al. 2012). Moreover, we have shown that Identity Based Motivation (Oyserman 2009) can help understand the conditions under which luxury brands can also be perceived as ethical without incurring adverse outcomes (Study 1). Specifically, we show that consumers' identity goals may reduce the sophistication burden of luxury brands and make sophisticated brands be perceived to be as ethical as sincere brands. Finally, we showed that identity goals can change the consumers' preferences for CSR initiatives (Study 2). Our findings generate several theoretical and managerial implications, as well as directions for future research.

### **Theoretical Contributions**

The present research contributes to the literature on business ethics in three ways. First, we extend recent research on CSR and luxury brands (Janssen et al. 2017; Torelli et al. 2012) by demonstrating sophisticated brands are perceived less as ethical as sincere brands. Additionally, we contribute to the brand personality literature (e.g., Aaker 1997) by demonstrating previously undocumented associations between brand personality and brand ethicality. By doing so, we contribute to recent studies on business ethics on perceived brand ethicality (Markovic et al. 2018).

Second, we deepen the understanding of luxury brands and CSR by identifying an important moderator of this effect, namely consumers' salient identity goals (Oyserman 2009). We find that social identity goals reinforce the negative influence of brand sophistication on brand ethicality. Conversely, we show that personal identity goals appear to attenuate the brand personality effect, causing sophisticated brands to be perceived as equally

ethical as sincere brands. By doing so, we contribute to recent research on consumers' skepticism towards firms' CSR activities (Connors et al. 2017). In addition, we contribute to prior research on business ethics that indicates that consumers' propensity to consider ethics is lower in luxury purchases (Davies et al. 2012), providing evidence that brand ethicality matters for brands (Singh et al. 2012; Sierra et al. 2017). By doing so, we advance recent research on cleaner production showing the factors that influence CSR orientation: gender (Galvão et al., 2019), culture (Adnan et al., 2018), and moral virtues (Castro-González et al., 2019).

Finally, we extend past research on company-cause fit (Marín et al. 2016; Janssen et al. 2014) by showing that consumers in social (vs. personal) identity goals are more likely to choose a CSR focus consistent with the brand personality dimension. This suggests that the negative effects of the sophistication liability that occurs when consumers have social (vs. personal) identity goals may be reduced when the brand's CSR focus matches its personality. These findings can also contribute to the recent research on the interplay between CSR activities and stakeholder evaluations (Skilton and Purdy, 2017). Although these authors argue that firms and stakeholders are often guided by incompatible sensemaking systems, our findings demonstrate that social (vs. personal) identity may increase consumer collaboration, reinforcing compatibility schemas and engagement in the CSR activity. Taken together, the set of findings reveal the sophistication liability effect on perceived brand ethicality and the significant role played by consumer identity goals when evaluating CSR activities of luxury brands.

### **Managerial Implications**

The managerial implications of our findings are critical for luxury brands. Luxury brands are increasing their focus on CSR (Winston 2016), but they may not be leveraging all the positive brand outcomes associated with CSR investment. According to Smith et al. (2010) CSR claims of ethical behavior often lack credibility and can result in a backlash against brands. Our findings provide support for a “sophistication liability”. Luxury brands are perceived as highly sophisticated and hence as less ethical. In the pilot study, we show that luxury brands are perceived to have the highest levels of sophistication and the lowest score of sincerity. This is opposite to how consumers conceptualize an ethical brand: the lowest in sophistication and the highest in sincerity.

This may raise several questions to luxury brand managers who are interested in investing in CSR activities and may provide an explanation of why consumers do not associate luxury brands to brand ethicality. Across our studies, we explore how luxury brands can avoid adverse outcomes. Luxury brands can use contextual cues that trigger consumers’ identity goals to increase their perceived ethicality and positively influence brand attitudes. Thus, we urge managers of luxury brands to rethink the way they communicate the brands’ CSR initiatives. This is important because it allows luxury brands to both (a) engage in CSR and (b) to maintain their sophisticated image without negatively affecting perceived ethicality of the brand and consumer attitudes.

Accordingly, we recommend luxury brand managers first to try to activate consumers’ personal goals to mitigate the negative effects of perceived sophistication on brand ethicality (Study 1). For example, the luxury fashion brand Salvatore Ferragamo campaign states that “*Ferragamo supports socially responsible initiatives*” (Appendix B). We argue that CSR initiative of Salvatore Ferragamo would be better evaluated if they include a reference to consumers’ personal identity goals (e.g., “*Be unique and support Ferragamo’s socially responsible initiatives*”).

Secondly, we recommend managers of luxury brands to invest in CSR initiatives that generate consumer (vs. society) focus when consumers have salient social identity goals. For example, Omega luxury watches campaign with GoodPlanet Foundation states that “*OMEGA’s rich maritime legacy has inspired the creation of the Seamaster Planet Ocean 600M GMT GoodPlanet, an innovative wristwatch that serves as a tribute to GoodPlanet Foundation and the positive work it does for our environment*” (Appendix B). This CSR initiative includes a reference to consumers’ social identity goals (in this case *our environment*) but should also include a reference to consumers’ CSR focus (e.g., “*Based on our concern for consumers, OMEGA’s rich maritime legacy...*”). By positioning their CSR campaigns in line with our recommendations, luxury brands may be viewed as more ethical. This may contribute to the managerial perspective that “ethics pays” instead of past view that “ethics is a luxury we can't afford.” (Paine, 2000, p. 329)

### **Generalizability of Findings and Limitations**

This research has focused on consumer brands. By using the brand personality framework, we expect results to generalize to other brands and product categories that have similar brand personalities. However, as with any research, there are limitations that may stimulate future research. First, in the pilot study, we demonstrate that luxury brands are perceived as sophisticated. However, many luxury brands have a positioning focus on more than one personality dimension. For instance, Moschino shares sophistication and excitement elements whereas Harley-Davidson combines sophistication and ruggedness characteristics. In addition, Amatulli et al. (2018) demonstrate that when luxury CSR initiatives are external (vs. internal), they increase consumers' willingness to buy. Thus, future research may

investigate how luxury brands with more than one brand personality focus can be perceived as ethical, as well as the role of external and internal CSR initiatives.

Second, in study 2 we show that sophisticated brands can manage the negative effects on brand ethicality through the fit between CSR activities focus and brand personality. Further research may analyze the impact of this fit on other outcomes relevant for luxury brands such as exclusivity, brand symbolism, and prestige price. Another issue for generalizability is the recent findings in cleaner production literature that employees' behavior may influence how people respond to CSR (John et al. 2019). Future research should analyze whether the interaction between luxury brands and employees' behavior may influence CSR perceptions.

Finally, we have used lab experiments which increase internal validity and allow us to establish unequivocal causal relationships at the expense of external validity. Thus, whereas our studies allow us to examine the underlying psychological mechanisms when consumers evaluate brands and their CSR activities, they may not capture all influencing factors that may be at work when consumers are making actual purchases. Future studies should use field experiments or secondary data to increase the generalizability of our results.

## **Conclusion**

Our studies provide some important results to the use of CSR by brands with different personalities. First, our pilot study confirms that sophistication which is a characteristic of luxury brands leads to the lowest perceptions of brand ethicality among the five brand personalities. Conversely, sincerity is the personality most associated with brand ethicality. Second, we show in study 1 that this result holds when consumers have salient social identity goals. However, when consumers have salient personal identity goals sincere and

sophisticated brands are perceived equally in terms of ethicality. Finally, we show in study 2 that consumers prefer CSR actions that focus on the firm's consumers or on society in general, depending on the fit between their salient identity goals and brand personality.

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## APPENDIXES

### Appendix A: 20-Item Brand Personality Facet Traits used in Pilot Study

Down-to-earth (down-to-earth, family-oriented, small-town)

Honest (honest, sincere, real)

Wholesome (wholesome, original)

Cheerful (cheerful, sentimental, friendly)

Daring (daring, trendy, exciting)

Spirited (spirited, cool, young)

Imaginative (imaginative, unique)

Up-to-date (up-to-date, independent, contemporary)

Reliable (reliable, hardworking, secure)

Intelligent (intelligent, technical, corporate)

Successful (successful, leader, confident)

Upper class (upper class, glamorous, good looking)

Charming (charming, feminine, smooth)

Outdoorsy (outdoorsy, masculine, Western)

Tough (tough, rugged)

**Appendix B:** Exemplars of Luxury CSR Initiatives*FERRAGAMO WORLD CAMPAIGN*

Source: <http://www.csrwire.com/blog/posts/250-2011-in-retrospect-what-luxury-brands-teach-us-about-sustainability>

## OMEGA GOODPLANET CAMPAIGN



### THE SEAMASTER PLANET OCEAN 600M GMT GOODPLANET



### GOODPLANET FOUNDATION

Since 2011, OMEGA has worked alongside GoodPlanet Foundation raising public awareness of our oceans and sharing its dedication to sustainability.

OMEGA's rich maritime legacy has inspired the creation of the Seamaster Planet Ocean 600M GMT GoodPlanet, an innovative wristwatch that serves as a tribute to GoodPlanet Foundation and the positive work it does for our environment. OMEGA has committed a portion of the proceeds from this

stunning timepiece to funding projects to preserve the mangroves and seagrasses in Southeast Asia and educating the local population about conserving these important natural resources.

Source: <https://www.omegawatches.com/en-us/watches/seamaster/planet-ocean-600m/goodplanet-edition/product>