

**BINOMIAL IDENTITY OF LUXURY BRANDS
THE ROLE OF CONSUMER SITUATIONAL SCEPTICISM**

Kevin Teah

School of Marketing, Curtin Business School
Curtin University

2018001

Editor:

Dr. Isaac Cheah
School of Marketing

**MARKETING
INSIGHTS
Working Paper Series
School of Marketing**

ISSN 1448 – 9716

Corresponding author:

Kevin Teah
School of Marketing, Curtin Business School
Curtin University
GPO BOX U1987
Perth, WA 6845
Australia
Tel (+61 8) 9266 3882
Fax (+61 8) 9266 3937
Email: kevin.teah@curtin.edu.au

BINOMIAL IDENTITY OF LUXURY BRANDS

THE ROLE OF CONSUMER SITUATIONAL SCEPTICISM

ABSTRACT

Purpose: The aims of this study are to: (1) examine Luxury Brand CSR communication on Consumer Situational Scepticism; (2) determine the effects of Consumer Situational Scepticism on key outcomes of Luxury Brands; (3) determine ideal communication strategies Luxury Brands can use for desirable outcomes; and (4) compare established Luxury Brands and Principle-based Entities and the potential different effects on Consumer Situational Scepticism.

Methodology: The proposed thesis will consist of 4 studies that examine the effect of four CSR communication strategies: (a) perceived fit between the brand and cause; (b) commitment of the brand; (c) subtlety of the message; (d) differences between owned and earned media. For each study, a 2 (communication strategy) x 3 (brands) factorial experimental design consisting of six cells will be adopted. The data will be analysed using SPSS for reliability and validity. Subsequently, to test the data, AMOS Structural Equation Modelling will be used.

Significance: This study documents the relevance and importance of Consumer Situational Scepticism in the area of Luxury Brand CSR Communications. The conceptual model is a baseline for future extensions drawing from existing non-luxury CSR literature into a luxury context. The conceptual model of this study examines critical marketing outcomes of luxury brands including CBBE and consumer advocacy. Existing luxury brands may be threatened by the rise of luxury Principle-based Entities encroaching into the luxury market space. This study provides empirical data measuring potential consumer sentiment between Principle-based Entities and existing luxury brands. Managers can use this information to strategize and anticipate future regulatory and social constraints addressing the binominal identity divide between CSR and luxury brands. This may provide managerial significance by indicating whether existing luxury brands should: (1) Rebrand the existing brand (2) Revitalise the existing brand (3) Create a brand extension focussed on a brand that is “born and bred” for CSR.

INTRODUCTION

Communication strategies in non-luxury CSR have been extensively researched (e.g. Chaudhri, 2016; H. Kim & Lee, 2018; Sohn, Han, & Lee, 2012). However, few studies have looked at CSR communication strategies for luxury brands. Luxury brands are vastly different from non-luxury brands. In fact, there has been significant growth in the luxury market in the past 50 years (e.g., D'Arpizio, Levato, Kamel, & Mongolfier, 2017). Thus, the management of luxury brands have become increasingly important for businesses and marketers to create an associable and exclusive brand image and superior brand equity through prudent brand strategy (Gabrielli, Grappi, & Baghi, 2012). Creating a luxury brand image is key, opening communication possibilities cultivating symbolic meanings shared by consumers, appealing to their desire to be part of a superior class (Atwal and Williams, 2009). In addition, Kapferer and Bastien (2009) suggest that a luxury brand should have a very strong personal and hedonistic component in order to reach consumers' hearts and minds. In addition to hedonistic and aspirational elements, consumers must also perceive the brand as superior in quality and performance. Penz and Stöttinger (2008) state that luxury brands have associations such as excellent quality, premium price and exclusivity etched deeply into their minds.

In 2017, a research study by Deloitte shared insights on millennial consumers in premium and luxury goods. There is no consensus in literature of the millennial cohort. Therefore, this study will adopt those born between 1980 and 2000 (Furlow & Knott, 1996; Hayes & Hayes, 2017). The report shows luxury purchases made by millennials are not mainly focussed on the sustainability and the ethical profile of luxury goods and services but considerations are made. In a separate study by Nielson, the Global Survey 2017 of Corporate Social Responsibility shows that 76% of millennial respondents are willing to pay more for products that are perceived as ethical and sustainable. However, media reports of companies engaging in corporate malpractice despite portraying good corporate citizenship has caused consumers difficulty in distinguishing between ethical and unethical companies (Parguel, Benoit-Moreau, & Larceneux, 2011). Thus, consumers tend to question why companies embrace CSR, becoming sceptical towards their motives regarding CSR involvement (Forehand & Grier, 2003; Vanhamme & Grobbs, 2009). In addition, luxury brands are faced with values that conflict with CSR values, causing a disfluency further increasing scepticism in consumers (Torelli & Kaikati, 2018; Torelli, Monga, & Kaikati, 2011)

Further, the existing literature in CSR lack studies examining luxury brands (Wong & Dhanesh, 2016). Luxury brands are dissimilar to non-luxury brands in a multitude of ways that it is imperative to look at CSR in a luxury context (Amatulli, Angelis, Korschun, & Romani, 2018; Dekhili & Achabou, 2016). Therefore, given the growth of millennials in terms of consumption power, particularly luxury brands, and their propensity to support sustainable and meaningful brands, it is imperative that studies look at communication strategies focussed on Corporate Social Responsibility in order to resonate with the millennial cohort. This research sets out to reduce millennials luxury consumers' Situational Scepticism toward Luxury Brand CSR Communications.

LITERATURE REVIEW

Luxury Brands and CSR

Corporate Social Responsibility (CSR)

CSR stems from an ongoing debate regarding stakeholder theory and shareholder theory (Rugimbana et al., 2008). According to shareholder theory a company is responsible exclusively to their shareholders (Cochran, 1994). Friedman (1999) is widely known around the world for his views of a firm being solely responsible to their shareholders. His belief is that a company should strive to return profits to shareholders and then they will decide whether or not they wish to act socially and donate to charities. He argues that no manager should decide on behalf of the shareholders on how to deal with their profits and how to distribute part of it among CSR activities. Likewise, scholars think that if managers spend money on social causes it is like ‘stealing’ shareholder money (Philips, 2004). All in all, shareholder theory suggests that profit maximization should be the only concern for the company. Interestingly, Ruf et al. (1998) argue that spending corporate profits on social causes is justified only if it leads to higher economic value and returns.

On the other hand, there is the stakeholder theory which emerged in defiance of shareholder theory (Winsdor, 2001). Stakeholder theory advocates that companies are accountable to a variety of different stakeholders (consumers, employees, shareholders, government, society, rivals, suppliers etc.), and they should always try to balance the interests of these different groups (Van Marrewijk, 2003). The term ‘stakeholder’ arose as an opposition to the term ‘shareholder’ to clarify that there are other groups of people who actually have a ‘stake’ in a company (Goodpaster, 1991). Anyone who can affect or is affected by a company’s operations is a stakeholder. Whilst investors have a grounded stake towards a company because they have invested their money; in the same way there are employees, consumers and society who have also invested their time, skills and knowledge in the company (Deck, 1994). Furthermore, shareholders risk their money if a company fails the same as employees risk their job, pension and benefits (Post et al., 2002). Stakeholder theory has garnered support from consumers because of the emotional resonance it creates with many people (Smith, 2003).

The underlying proposal behind CSR is that corporations are connected to the rest of society and should act ethically and responsibly toward members of the society. This study has adopted Carroll’s (1979, 1991) conceptualization of CSR. According to Carroll (1979), “the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”.

CSR and Communication

CSR is a useful tool for companies to engage in environmental and social projects and is, moreover, an effective marketing tool which gains more and more popularity within companies (Schiefelbein, 2012). However, CSR communication is a difficult undertaking because it can backfire (Du, Bhattacharya, & Sen, 2010b; Wong & Dhanesh, 2016). In fact, some scholars argue that CSR communication should be studied in its own right (Chaudhri, 2016; Ihlen, Bartlett, & May, 2011). For this reason the right CSR communication strategy is essential to effectively

influence consumer attitude and behaviour (S. Kim & Ferguson, 2014). The importance of these strategies are accentuated for companies in the luxury industry as they embark on mass-marketing strategies, engaging a fast-widening pool of stakeholders who are increasingly socially and environmentally conscious (Bain & Company, 2015; Kapferer, 2015).

Communications of CSR activities not only boost purchase intentions but also enhance evaluations of the company or brand (e.g., Sen and Bhattacharya 2001), its new product introductions (e.g., Brown and Dacin 1997), and other products in its portfolio (e.g., Biehal and Sheinin 2007). Further, CSR can elicit a more favourable response to causes supported by the company (Lichtenstein, Drumwright, and Braig 2004), increase loyalty and advocacy behaviours (Du, Bhattacharya, and Sen 2007), and even result in a less severe response to negative publicity (Klein and Dawar 2004). There are numerous studies on CSR communications in a non-luxury context. However, few studies provide empirical data in luxury brands.

Binomial Identity of Luxury Brands

CSR communication in the luxury industry faces another challenge because perceived motives are generally negative due to the binomial identity between CSR and Luxury (Kapferer, 2012). Kapferer (2012) mentions that “the challenge for sustainable luxury is the fact that its symbolic nature of irrationality, excess and inequality is not aligned with the symbolic nature of sustainable development, which represents equalitarian and humanitarian values, and encourage us to be frugal in our consumption”. The following table are examples these contradictions.

Luxury	CSR
Hedonism	Altruism
Superficiality	Responsibility
Wants	Needs
Ostentation	Moderation
Self-enhancing	Self-transcendence
Social Distinction	Equality
Excess	Frugality
Emotions	Rationality

Luxury purchases are by definition irrational (Kapferer, 2012). A non-luxury handbag is a fraction of the cost of a luxury handbag, but the functional values of both handbags are the same. Irrationality can be seen as buying something not function, but for other reasons that are symbolic and/or hedonistic. Thus, luxury is bought out of emotions, not rationality. Luxury also means excess, whereas sustainability invites us to “meet the needs of current generation without compromising the future generation’s ability to meet theirs” (Brundtland commission, 1987). Luxury also exhibits social distinction as seen throughout history through caste social stratifications (Holt, 1998). CSR focuses on planet and people, and not only profit (Rinaldi, 2012). Among other identity values between Luxury and CSR, this disconnect causes disfluency and a decline in evaluations (Ahn, 2015; C. J. Torelli & Kaikati, 2018b).

The Binomial Identity Values of Luxury and CSR, coupled with recent reports and media coverage of fraud and scams (e.g., Ponzi schemes, identity theft, phishing), environmental scandals (e.g., Volkswagen Diesel-gate), wastage (e.g., Burberry), and environmental disasters (e.g., BP in the Gulf of Mexico), revealed the underbelly of corporate misfeasance, misconduct, and wrongdoing despite portraying good corporate citizenship. This has made consumers believe that most companies subscribe to “Shareholder Theory”, profit maximisation at all costs (Du, Bhattacharya, & Sen, 2010a; Ferrero, Michael Hoffman, & McNulty, 2014; Jones & Wicks, 1999; S. Kim & Ferguson, 2014). These actions have created a society whereby consumers are sceptical towards the motives and actions of companies (Ellen, Webb, & Mohr, 2006; Foreh & Grier, 2003; Wood, 2000).

Principle-based Marketing

The advent of CSR and the rise of ethical consumerism has given birth to companies with an agenda to help parts of society from its moment of inception (Dart, 2004; Defourny, 2007). These companies are thus “born and bred” to do CSR; unlikely to be seen by some as “jumping onto the CSR bandwagon” or “greenwashing” (Dekhili & Achabou, 2016; Saha & Darnton, 2005; Souza, Taghian, Lamb, & Peretiatko, 2007). These “Principle-based Entities” have principles to help parts of the society as part of their brand DNA (Defourny, 2007). However, there is a gap in literature addressing marketing activities done by these Principle-based Entities. Similar terms used in CSR in a marketing context for example are “Stakeholder Marketing” which is “activities and processes within a system of social institutions that facilitate and maintain value through exchange relationships with multiple stakeholders” (Bhattacharya & Korschun, 2008; Hult, Mena, Ferrell, & Ferrell, 2011), and “Cause-related Marketing” which is defined by Adkins (2007) as “a commercial activity by which businesses and charities or good causes form a partnership with each other to market an image, product or service for mutual benefit”. These terms do not encompass the marketing aspect of innate principles found within Principle-based Entities. Therefore, it is crucial for existing luxury companies to understand marketing efforts from these Principle-based Entities and the potential threats they face when Principle-based Entities encroach into the luxury market space. Therefore, the current study compares Principle-based Entities who are “born and bred” to do CSR vs. Luxury Brands who have recently adopted CSR.

THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Attribution Theory

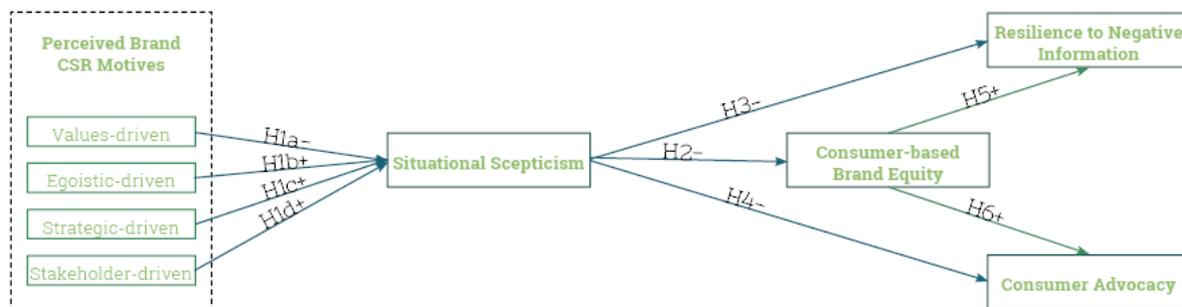
Attribution theory is defined by Fiske, & Taylor (1991) as “...the social perceiver uses information to arrive at causal explanations for events. It examines what information is gathered and how it is combined to form a causal judgment”. Further studies in corporate behaviour state that when people learn about the behaviour of a company about whom they have little prior information, they usually take the behaviour at face value and attribute it to motives (Heider, 1946; Jones & Wicks,

1999; Newcomb & Heider, 1958). In this study, Attribution theory is used as an overarching framework exploring consumer situational scepticism toward CSR by highlighting how cognitive perceptions affect subsequent attitudes and behaviour toward CSR involvement which has garnered large interest over the past decade (Ellen, Mohr, & Webb, 2000; Vlachos, Tsamakos, Vrechopoulos, & Avramidis, 2009; Gilbert & Malone, 1995). The current research therefore draws on attribution theory and examines the consumers' perceived motives towards companies engaging in CSR Communications, which will in turn affect scepticism.

Persuasion Knowledge Model

Persuasion knowledge model states that consumers build knowledge from marketers' persuasion tactics and use this knowledge to cope with persuasion attempts (Friestad and Wright's, 1994). Consumers develop this knowledge to deal with events through attributional inferences (Kelley & Michela, 1980; Lange & Washburn, 2012). Attribution theory explain consumer's attribution to causes of events and this cognitive process affects their attitudes and behaviour (Kelley & Michela, 1980). According to PKM, people attribute causes to events into: internal and external attributions. In the context of CSR, an internal attribution assigns CSR activities to be internal motives, while an external attribution attributes CSR activities to external motives (Schmitt & Branscombe, 2002; Skarmeas & Leonidou, 2013). Therefore, PKM separates consumers' perceived motives towards companies into 2 distinct aspects – internal and external motives.

With these two overarching theories, the study presents the hypotheses and the research model:



Scepticism

In general, scepticism refers to a person's tendency to doubt, disbelieve, and question (e.g., Boush, Friestad, & Rose, 1994; Forehand & Grier, 2003). Studies on scepticism span multiple disciplines from psychology to philosophy, sociology to business (e.g., McGrath, 2011; Taber & Lodge, 2006; Owen-Smith, 2001; Forgas & East, 2008). In a marketing context, scepticism can be seen as lengthy research effort towards advertising, promotion, and public relations (e.g., Boush et al., 1994; Obermiller, Spangenberg, & MacLachlan, 2005). Some literature on scepticism have looked at scepticism towards greenwashing, environmental claims, cause-related marketing, CSR communication, and CSR programs (Pirsch, Gupta, & Grau, 2007; Forehand & Grier, 2003; Mohr et al., 1998; Vanhamme & Grobбен, 2009; Singh, Kristensen, & Villasenor, 2009). Studies have shown that scepticism can be a personality trait and an ongoing state of disbelief (dispositional

scepticism) (e.g., Boush et al., 1994; Obermiller & Spangenberg, 1998), or situational scepticism, which varies depending on the context and situation (e.g., Forehand & Grier, 2003; Mohr et al., 1998; Vanhamme & Grobben, 2009). Therefore, the disposition to doubt may differ from consumer to consumer, scepticism can result from situational factors (Forehand & Grier, 2003). Multiple studies have found that perceived motives as a strong predictor to scepticism; attributing self-serving motives to insincere intentions (Bronn & Vrioni, 2000; H. Kim & Lee, 2018; Skarmeas & Leonidou, 2013; Yang & Hsu, 2017). High scepticism has also been shown to result in unfavourable behaviour (Szykman et al. 1997).

Perceived Motives

Motives are attributed by consumers to companies and these responses will affect response (Boush et al., 1994; Campbell & Kirmani, 2000). Past literature in CSR suggests that there are two primary types of motives: firm-serving motives, motives that benefit the firm, and public-serving motives, motives that benefit people outside the company (Barone, Miyazaki, & Taylor, 2000; Forehand & Grier, 2003). Generally, firm-serving motives are perceived negatively as the motives can be seen as opportunistic or individualistic and public-serving motives are seen in a more favourable light as they exhibit giving and benevolent intentions (Becker-Olsen, Cudmore, & Hill, 2006).

CSR activities are complex. Consumers may identify causal inferences for CSR activities (Oberseder, Schlegelmilch, & Gruber, 2011). Therefore, recent literature on motives in the context of CSR have expanded into four different types of causal inferences: egoistic-, values-, strategic-, and stakeholder-driven motives rather than the traditional self-versus public-serving motives (Ellen et al., 2006; Vlachos et al., 2009).

Values-driven motives is perceived by consumers as an extension of a company's moral, ethical, and societal ideals and standards (Ellen et al., 2000). Consumers believe that the company's actions are of principle. Values-driven attributions are authentic in the desire to contribute to society and is an extension of the core DNA of the company's values (Becker-Olsen et al., 2006). Consumers are likely to accept these CSR efforts based on these attributions. It is therefore hypothesised that Values-driven motives has a significant negative relationship with Consumer Situational Scepticism:

H1a. Higher Values-driven motives lead to lower Consumer Situational Scepticism.

Egoistic-driven motives is perceived by consumers that the company is exploitative rather than supportive to the cause (Ellen et al., 2006; Vlachos et al., 2009). Consumers believe the company is opportunistic with excessive intentions to profiteer from the CSR engagement. These intentions are viewed as unethical, failing to benefit the social cause because the company is too invested in its own interest (Forehand & Grier, 2003; Vlachos et al., 2009). Such self-centred reasons increase consumer doubt and question CSR efforts. It is therefore hypothesised that Egoistic-driven motives has a significant positive relationship with Consumer Situational Scepticism:

H1b. Higher Egoistic-driven motives lead to higher Consumer Situational Scepticism.

Strategic-driven motives is perceived by consumers that the company is attempting to fulfil its corporate objectives while supporting the cause (Ellen et al., 2006; Vlachos et al., 2009). This win-win arrangement is the underlying incentive behind most for-profit companies engaging in CSR activities. Strategic-driven motivations stem from the fact that a for-profit company needs to be economically viable for survival (Ellen et al., 2006). However, the economic reasoning, rather than the moral reasoning behind such giving may raise doubts in the consumer mind (Vlachos et al., 2009). This may cause consumer resentment because social causes are the realm of values and principles rather than profits (Hollender, 2004). It is therefore hypothesised that Strategic-driven motives has a significant positive relationship with Consumer Situational Scepticism:

H1c. Higher Strategic-driven motives lead to higher Consumer Situational Scepticism.

Stakeholder-driven motives is perceived by consumers that the company engages in CSR due to stakeholder pressure (Vlachos et al., 2009). The company is compelled to conform due to the expectations of stockholders, employees, and society as a whole. Stakeholder-driven motivations are seen as insincere because it is seen as an attempt to avoid punishment rather than a reflection of the company's true principles (Smith & Hunt, 1978). Therefore, stakeholder-driven attributions are likely to engender consumer scepticism toward CSR. It is therefore hypothesised that Stakeholder-driven motives has a significant positive relationship with Consumer Situational Scepticism:

H1d. Higher Stakeholder-driven motives lead to higher Consumer Situational Scepticism.

Consumer-based Brand Equity

Brand equity is regarded as a major marketing asset by some scholars (Mizik, 2014, Stahl et al., 2012). It creates competitive advantages and improves firms' financial performance (Mizik, 2014, Stahl et al., 2012). In this study, brand equity from the consumer perspective will be adopted. Consumer-based brand equity (CBBE) focusses on consumer perceptions instead of financial metrics (Aaker, 1996, Huang and Cai, 2015, Keller, 2008, Stahl et al., 2012). CBBE measures the influence of brand equity on consumer responses (Keller & Lehmann, 2003).

Keller (1993) defines CBBE as “focuses on marketing, describing brand equity as the differential effect of customers' knowledge of a specific brand on responses to marketing activities and programs of that brand”. Research shows that brand equity has multiple dimensions (e.g., Aaker, 1996, Christodoulides et al., 2015, Hsu et al., 2011, Kayaman and Arasli, 2007, Nam et al., 2011, Yoo and Donthu, 2001). This study adopts perceived quality, brand loyalty, brand awareness, and brand image.

There is a consensus among scholars that a consumer with a stronger CBBE may prefer a certain brand, pay more for their products and services, as well as exhibit higher levels of loyalty (Aaker, 1991, Keller, 1993, Keller, 2003, Keller and Lehmann, 2006). It is therefore hypothesised that Consumer Situational Scepticism has a significant negative relationship with CBBE:

H2. Higher Consumer Situational Scepticism leads to lower CBBE.

Resilience to Negative Information

Resilience to negative information the extent whereby consumers “shield” their positive sentiments towards the company from negative information which may diminish their positive opinion of the company (Bhattacharya & Sen, 2004; Eisingerich, Rubera, Seifert, & Bhardwaj, 2011). This behaviour is possible when the company creates positive consumer opinions through prior actions (Bhattacharya & Sen, 2003). Conversely, when consumers bear sentiments of scepticism and doubt towards intentions behind the company’s reasons behind CSR activities, this behaviour will not occur (Eisingerich et al., 2011). In terms of CSR, companies who have created “a reservoir of goodwill” through social initiatives have “padding” for inadvertent negative information. Consequently, consumer scepticism toward CSR can be detrimental to the creation of this “padding” or resilience to negative information. It is therefore hypothesised that Consumer Situational Scepticism has a significant negative relationship with Resilience to Negative Information:

H3. Higher Consumer Situational Scepticism leads to lower Resilience to Negative Information.

Consumer Advocacy

Chelminski and Coulter (2011) published earlier research defining consumer advocacy as “a generalized tendency to share market information to warn consumers so that they can avoid negative marketplace experience”. Conversely, consumer advocacy has also been shown to reflect positive personal experiences, helping each other in marketplace activities (Price, Feick, & Guskey, 1995). Luxury brands, due to their niche market segment, benefit from inter-consumer interaction and sharing of market information, affective beliefs, and intimate personal experiences towards the brand for a strong consumer–brand relationship. With luxury brands in particular, consumers rely more on opinion leaders, reference groups and peer recommendations when buying these brands (Vigneron and Johnson, 2004).

Consumer advocacy differs from similar constructs such as positive word of mouth and referrals because it encompasses organic consumer willingness in assisting others towards a personally similar brand experience (Chelminski and Coulter, 2011; Jayasimha and Billore, 2016). Consumer advocacy particularly applicable to luxury brands for multiple reasons. First, luxury consumers seek experiences similar to other consumers through product and service craftsmanship, artisanal qualities, and affective experiences (Phau and Prendergast, 2000). Second, organic sources of

information has been shown in research to have less conflict of interest compared to company generated messages in marketing, therefore making this organic information more reliable (e.g., Klein et al., 2016). Third, purveyors of luxury brands have been shown to switch brands frequently and are less likely to be attracted by financial incentives (Schneider, 2017). In summary, the three abovementioned reasons allow luxury brands to create trust and credibility within consumers as a proxy providing organic and reliable information about the brand through consumer advocacy. Thus, consumers' scepticism toward companies' CSR efforts is likely to prevent inter-consumer willingness to promote the luxury brand. It is therefore hypothesised that Consumer Situational Scepticism has a significant negative relationship with Consumer Advocacy:

H4. Higher Consumer Situational Scepticism leads to lower Consumer Advocacy.

Secondary Hypotheses

Consumers with strong positive attitudes toward a luxury brand are more likely to demonstrate higher resilience to negative information (Dick & Basu, 1994). Cognitive consistency processes can explain this relationship (Festinger, 1993; Festinger & Carlsmith, 1959). Fazio (1990) posits consumers with strong positive attitudes towards the luxury brand are likely to block negative information that are inconsistent to their positive attitudes through selective attention (Fazio, 1990). Frey (1986) states people need to maintain consistent and coherent beliefs to allow the acceptance and processing of information. Therefore, consumers with strong positive attitudes towards the luxury brand are more likely to see negative information towards the luxury brand as noise (Ahluwalia, Burnkrant, & Unnava, 2000). It is therefore hypothesised that CBBE has a significant positive relationship with Resilience to Negative Information:

H5. Higher CBBE leads to higher Resilience to Negative Information.

Consumers are more likely to engage in advocacy when they have had positive affective experiences with the brand (Brown, Barry, Dacin, & Gunst, 2005). CBBE is an indication of a strong relationship between consumers and luxury brands; prompting consumers to share their experiences to others in their reference group (Yoo et al., 2000). Consumers are compelled to relay their positive experience to others in order to appear like they make prudent choices, negate the possibility of post-purchase regret, exhibit helpful behaviour by helping others make more informed choices (De Matos & Rossi, 2008; Ryu & Feick, 2007). It is therefore hypothesised that CBBE has a significant positive relationship with Consumer Advocacy:

H6. Higher CBBE leads to higher Consumer Advocacy.

Communication Strategies: Moderating Factors

Communication strategies can change consumers' perceived motives toward companies' CSR efforts (Skarmeas & Leonidou, 2013). These communications are the link between company and

consumer (Ihlen et al., 2011; Sohn et al., 2012). In the non-luxury CSR context, Perceived Fit, Commitment, Subtlety, and Media types are 4 of the most prevalent and established strategies when brands communicate with consumers (Chaudhri, 2016; Du et al., 2010a). Therefore, this research will replicate these 4 strategies through the 4 studies below.

High vs Low Perceived Fit (Study 1)

Engaging in CSR to generate positive sentiment is largely underpinned by the fit between company and CSR activity. Literature has shown that higher perceived fit or relatedness between company's core business or key expertise and CSR activity, the more positive the consumer attitude because the union will be seen as justified and unlikely to generate dissonance. On the other hand, if the perceived fit is low, consumers are likely to experience difficulty in integrating this inconsistency into their existing schema – instead, becoming more prone to generating counter-arguments on the altruistic motive behind the CSR initiative (Varadarajan & Menon 1988; Drumwright 1996; Wojciszke et al. 1998; Becker-Olsen et al. 2006; Johnson & Grier 2011; Praxmarer 2011). Therefore, the objective of this study is to explore the contingencies of communication strategies for firms engaged in CSR activities at various levels of perceived fit. In the proposed thesis, perceived fit will be examined as a background variable to the conceptual model. We hypothesise that perceived fit will moderate situational scepticism. Such that, when perceived fit is high, situational scepticism is reduced. When perceived fit is low, situational scepticism is increased. It is therefore hypothesised that Perceived Fit has a significant negative relationship with Consumer Situational Scepticism.

H7. Higher Perceived Fit leads to lower Consumer Situational Scepticism.

High vs Low Commitment (Study 2)

Companies engaging in CSR can exhibit commitment towards social causes through multiple channels. They can focus on philanthropy by donating funds and in-kind contributions, or provide other resources depending on the key expertise of the company (Narayandas & Rangan 2004). The amount, the durability, and the consistency form varying aspects of this commitment (Dwyer et al. 1987). A company can focus on one or a combination of these aspects of commitment. For example, Target, in its 2007 CSR report (Target 2008), communicates all three aspects of commitment - input (i.e. \$246 million), durability (i.e. since 1997) and consistency of support (i.e. a percentage of all purchases made on Target credit cards). In the proposed thesis, commitment will be examined as a background variable to the conceptual model. We hypothesise that commitment will moderate situational scepticism. Such that, when commitment is high, situational scepticism is reduced. When commitment is low, situational scepticism is increased. It is therefore hypothesised that Commitment has a significant negative relationship with Consumer Situational Scepticism.

H8. Higher Commitment leads to lower Consumer Situational Scepticism.

High vs Low Subtlety (Study 3)

Luxury brands can focus communications towards CSR initiatives by choosing to be either a loud and conspicuous strategy or a more subtle and discreet one (Han et al. 2010). The amount of subtlety may affect the extent to which consumers will perceive the luxury brand to be socially responsible. Specifically, loud and conspicuous communications increase the notion of ostentation and status-enhancement associated with luxury more than a quiet communication, triggering an inconsistency between CSR-associated self-transcendence values and luxury-associated self-enhancement values. In a non-luxury context, studies have shown that organizations face the paradox of demonstrating social responsibility without communicating it overtly (Janssen, Leblanc, Janssen, Diehl, & Yoon, 2015; Morsing, Schultz, & Nielsen, 2008). It is therefore with good reason Kotler & Lee (2005) suggest a minimal approach to CSR communication, with the conclusion of “do good and let others talk about it”. Rather, the company should talk about the cause rather than what the company has done for the cause. In the proposed thesis, subtlety will be examined as a background variable to the conceptual model. We hypothesise that subtlety will moderate situational scepticism. Such that, when subtlety is high, situational scepticism is reduced. When subtlety is low, situational scepticism is increased. It is therefore hypothesised that Subtlety has a significant negative relationship with Consumer Situational Scepticism.

H9. Higher Subtlety leads to lower Consumer Situational Scepticism.

Owned vs Earned Media (Study 4)

Subtlety ties into the release of media. Marketing literature typically categorizes media into Owned Media and Earned Media (Srinivasan, Rutz, and Pauwels 2016; Stephen and Galak 2012). OM refers to a brand’s communication created and shared through its own online social network assets. Conversely, EM refers to the brand-related content that entities other than the brand—typically the consumers— create, consume, and disseminate through multiple channels (Colicev, Malshe, Pauwels, & O’Connor, 2018). Some organizations “will not go out of our way to advertise” and has made a commitment to spend a significant proportion of CSR funds towards their cause, resulting in a higher proportion of funds going into the actual cause and not the promotion of the cause (Chaudhri, 2016). Therefore, Earned Media communications is seen to be less of an exercise to “toot your own horn”, reducing situational scepticism compared to Owned Media communications. In the proposed thesis, Owned vs Earned Media will be examined as a background variable to the conceptual model. We hypothesise that Owned vs Earned Media will moderate situational scepticism. Such that, when Earned Media is used, situational scepticism is reduced. When Owned Media is used, situational scepticism is increased. It is therefore hypothesised that Earned Media has a significant negative relationship with Consumer Situational Scepticism.

H10. Earned Media leads to lower Consumer Situational Scepticism.

METHODOLOGY

Epistemology

The current study adopts the Positivist's paradigm and Pragmatist's paradigm. This is because a Positivist's paradigm allows future studies to be easily expanded (Beverland & Lindgreen, 2010; Saunders et al., 2016) and a Pragmatist's paradigm disregards methods used but require research to have relevant and practical real-world impact (Saunders et al., 2016).

Research Design

The research design will adopt a quantitative approach and is in line with the positivist's and pragmatist's research paradigm. The proposed thesis will consist of 4 studies. In Study 1, perceived fit between the brand and cause is examined. In Study 2, commitment between the brand and cause is examined. In Study 3, subtlety of the message is examined. In Study 4, media types between owned and earned media is examined. For each study, a 2 (communication strategy) x 3 (brands) factorial design consisting of six cells will be adopted. The two-level communication strategy for the studies are high vs. low levels of perceived fit, commitment, subtlety, and communication channels. The three-level brand manipulation for the studies are a non-fictitious luxury brand that is not born and bred to do CSR, a fictitious luxury brand that is not born and bred to do CSR, and a fictitious luxury brand that is born and bred to do CSR. A fictitious brand is used because the study had to control for prior knowledge of the existing brand. A non-fictitious brand is used as a comparison point to establish ecological validity. The data will be analysed using SPSS for reliability and validity. Subsequently, to test the data, AMOS Structural Equation Modelling will be used. Please see appendix for stimulus.

For the purposes of this study we looked at the current 20-30 year old cohort, born between 1986 and 1996 – a generation old enough to have entered work and formed consumption habits, but young enough to have most of their economic life before them. Drawing from the above sections, millennials are willing to pay more for products perceived as ethical and sustainable in most categories. Data will be collected from the United States through a consumer panel with self-administered questionnaires. A total of 4800 samples will be required for the 4 studies. Please see appendix for the scale items.

SIGNIFICANCE

Conceptual and Methodological

This study provides key conceptual and methodological significance as it:

1. Documents the relevance and importance of Consumer Situational Scepticism in the area of Luxury Brand CSR Communications.
2. Develops and tests a theoretical conceptual framework examining the antecedents and consequence of Consumer Situational Scepticism in the context of Luxury Brand CSR.
3. Extends literature by looking at how Consumer Situational Scepticism is moderated by different communication strategies such as Perceived Fit, Commitment, Subtlety, and Media types. This study uses real brands, providing ecological validity.

4. Provides methodological significance by addressing emotion-based studies through video stimulus.
5. Compares Luxury Brands to Principle-based Entities.

Managerial

Several key managerial implications from this study include:

1. Existing luxury brands may be threatened by the rise of luxury Principle-based Entities encroaching into the luxury market space. This study provides empirical data measuring potential consumer sentiment between Principle-based Entities and existing luxury brands. Managers can use this information to strategize and anticipate future regulatory and social constraints.
2. CSR implementation within luxury is generally limited to discrete actions, such as collaboration with the arts, compliance, local production, philanthropy/voluntarism, cause-related marketing, and use of environmentally friendlier materials. This study looks at Principle-based Entities and existing luxury brands. The results of this study may potentially indicate the importance of luxury companies incorporating CSR into the DNA of their brands and choose a CSR strategy aligned with their brand vision.
3. This study addresses the gap of binominal identity divide between CSR and luxury brands. This may provide managerial significance by indicating whether existing luxury brands should: (a) Rebrand the existing brand; (b) Revitalise the existing brand; and (c) Create a brand extension focussed on a brand that is “born and bred” for CSR.

REFERENCES

- Adkins, S. (2007). *Cause related marketing*. Routledge.
- Ahn, S. (2015). THE EFFECT OF LUXURY PRODUCT PRICING ON CONSUMERS' PERCEPTIONS ABOUT CSR ACTIVITIES. *Academy of Marketing Studies Journal*, 19(3), 1.
- Bhattacharya, C. ., & Korschun, D. (2008). Stakeholder Marketing: Beyond the Four Ps and the Customer. *Journal of Public Policy & Marketing*, 27(1), 113–116. <https://doi.org/10.1509/jppm.27.1.113>
- Bronn, P., & Vrioni, A. (2000). Measuring skepticism to cause related marketing: preliminary Norwegian results. *Handelshoyskolen BI*.
- Chaudhri, V. (2016). Corporate social responsibility and the communication imperative: Perspectives from CSR managers. *International Journal of Business Communication*, 53(4), 419–442. <https://doi.org/10.1177/2329488414525469>
- Colicev, A., Malshe, A., Pauwels, K., & O'Connor, P. (2018). Improving Consumer Mindset Metrics and Shareholder Value Through Social Media: The Different Roles of Owned and Earned Media. *Journal of Marketing*, 82(1), 37–56. <https://doi.org/10.1509/jm.16.0055>
- Dart, R. (2004). The legitimacy of social enterprise. *Nonprofit Management and Leadership*, 14(4), 411–424.
- Defourny, J. (2007). The Social Enterprise : a European Perspective, (November), 1–25.
- Dekhili, S., & Achabou, M. A. (2016). Is It Beneficial for Luxury Brands to Embrace CSR Practices? In *Celebrating America's Pastimes: Baseball, Hot Dogs, Apple Pie and Marketing?* (pp. 3–18). https://doi.org/10.1007/978-3-319-26647-3_1
- Du, S., Bhattacharya, C. B., & Sen, S. (2010a). Maximizing business returns to corporate social responsibility (CSR): The role of CSR communication. *International Journal of Management Reviews*, 12(1), 8–19. <https://doi.org/10.1111/j.1468-2370.2009.00276.x>
- Du, S., Bhattacharya, C. B., & Sen, S. (2010b). Maximizing Business Returns to Corporate Social Responsibility (CSR): The Role of CSR Communication. *International Journal of Management Reviews*, 12(1), 8–19. <https://doi.org/10.1111/j.1468-2370.2009.00276.x>
- Ellen, P. S., Webb, D. J., & Mohr, L. A. (2006). Building Corporate Associations: Consumer Attributions for Corporate Socially Responsible Programs. *Journal of the Academy of Marketing Science*, 34(2), 147–157. <https://doi.org/10.1177/0092070305284976>
- Ferrero, I., Michael Hoffman, W., & McNulty, R. E. (2014). Must Milton Friedman Embrace Stakeholder Theory? *Business and Society Review*, 119(1), 37–59. <https://doi.org/10.1111/basr.12024>
- Festinger, L. (1993). Cognitive dissonance. *The Psychology of Judgment and Decision Making*. <https://doi.org/10.1037/10318-001>

- Festinger, L., & Carlsmith, J. M. (1959). Cognitive consequences of forced compliance. *Journal of Abnormal and Social Psychology*. <https://doi.org/10.1037/h0041593>
- Foreh, M. R., & Grier, S. (2003). When Is Honesty the Best Policy? The Effect of Stated Company Intent on Consumer Skepticism. *Journal of Consumer Psychology*, *13*(3), 349–356. https://doi.org/10.1207/S15327663JCP1303_15
- Heider, F. (1946). Attitudes and Cognitive Organization. *Journal of Psychology: Interdisciplinary and Applied*, *21*(1), 107–112. <https://doi.org/10.1080/00223980.1946.9917275>
- Hult, G. T. M., Mena, J. A., Ferrell, O. C., & Ferrell, L. (2011). Stakeholder marketing: a definition and conceptual framework. *AMS Review*, *1*(1), 44–65. <https://doi.org/10.1007/s13162-011-0002-5>
- Ihlen, Ø., Bartlett, J., & May, S. (2011). *The handbook of communication and corporate social responsibility*. John Wiley & Sons.
- Janssen, C., Leblanc, S., Janssen, C., Diehl, K., & Yoon, C. (2015). The Effects of Brand Prominence on Consumer Perceptions of Responsible Luxury, *43*, 574–575.
- Jones, T. M., & Wicks, A. C. (1999). Convergent Stakeholder Theory. *Academy of Management Review*, *24*(2), 206–221. <https://doi.org/10.5465/amr.1999.1893929>
- Kim, H., & Lee, T. H. (2018). Strategic CSR Communication: A Moderating Role of Transparency in Trust Building. *International Journal of Strategic Communication*, *12*(2), 107–124. <https://doi.org/10.1080/1553118X.2018.1425692>
- Kim, S., & Ferguson, M. A. T. (2014). Public Expectations of CSR Communication: What and How to Communicate CSR. *Public Relations Journal*, *8*(3), 1–22. <https://doi.org/10.1109/15.748135>
- Morsing, M., Schultz, M., & Nielsen, K. U. (2008). The “Catch 22” of communicating CSR: Findings from a Danish study. *Journal of Marketing Communications*, *14*(2), 97–111. <https://doi.org/10.1080/13527260701856608>
- Newcomb, T., & Heider, F. (1958). The Psychology of Interpersonal Relations. *American Sociological Review*, *23*(6), 742. <https://doi.org/10.2307/2089062>
- Price, L. L., Feick, L. F., & Guskey, A. (1995). Everyday market helping behavior. *Journal of Public Policy & Marketing*, *14*(2), 255–266. <https://doi.org/Article>
- Saha, M., & Darnton, G. (2005). Green Companies or Green Con-panies: Are Companies Really Green, or Are They Pretending to Be?
- Schiefelbein, K. (2012). Using the right CSR communication strategy : The impact on consumer attitude and behavior. *University of Twente*, 1. Retrieved from <http://essay.utwente.nl/62190/>
- Schmitt, M. T., & Branscombe, N. R. (2002). The Meaning and Consequences of Perceived Discrimination in Disadvantaged and Privileged Social Groups. *European Review of Social Psychology*, *12*(1), 167–199. <https://doi.org/10.1080/14792772143000058>
- Skarmeas, D., & Leonidou, C. N. (2013). When consumers doubt , Watch out ! The role of CSR skepticism. *Journal of Business Research*, *66*(10), 1831–1838.

<https://doi.org/10.1016/j.jbusres.2013.02.004>

Smith, H. J. (2003). The Shareholders vs. Stakeholders Debate | MIT Sloan Management Review. *Massachusetts Institute of Technology*, 44(4). Retrieved from <http://sloanreview.mit.edu/article/the-shareholders-vs-stakeholders-debate/>

Sohn, Y. S., Han, J. K., & Lee, S. H. (2012). Communication strategies for enhancing perceived fit in the CSR sponsorship context. *International Journal of Advertising*, 31(1). <https://doi.org/10.2501/IJA-31-1-133-146>

Souza, C. D., Taghian, M., Lamb, P., & Peretiatko, R. (2007). Green decisions : demographics and consumer understanding of environmental labels, 31, 371–376. <https://doi.org/10.1111/j.1470-6431.2006.00567.x>

Torelli, C. J., & Kaikati, A. M. (2018a). Doing Poorly by Doing Good : Corporate Social Responsibility and Brand Concepts, 38(June), 948–963. <https://doi.org/10.1086/660851>

Torelli, C. J., & Kaikati, A. M. (2018b). Doing Poorly by Doing Good : Corporate Social Responsibility and Brand Concepts, 38(April), 948–963. <https://doi.org/10.1086/660851>

Torelli, C., Monga, A. S., & Kaikati, A. (2011). Can Luxury Brands Do Poorly By Doing Good? Brand Concepts and Responses to Socially Responsible Actions. *ACR North American Advances*.

Wong, J. Y., & Dhanesh, G. S. (2016). Communicating Corporate Social Responsibility (CSR) in the Luxury Industry. *Management Communication Quarterly*, 31(1), 88–112. <https://doi.org/10.1177/0893318916669602>

Wood, W. (2000). A TTITUDE C HANGE : Persuasion and Social Influence, 539–570.

Yang, C.-M., & Hsu, T.-F. (2017). Effects of skepticism about corporate social responsibility advertising on consumer attitude. *Social Behavior and Personality: An International Journal*, 45(3), 453–467. <https://doi.org/10.2224/sbp.5788>