The Effect of CSR Signals on Brand Equity: A Consumer Involvement Perspective

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Many organizations assume that being socially responsible means consumers will positively see them, resulting in many brand benefits (McKinsey 2010). As such, many firms have begun investing in CSR activities exponentially (Nikolaeva & Bicho 2011; Torelli et al., 2011). Though, caring for society does not always ensure success (Sen and Bhattacharya 2001). For instance, consumers lack awareness about brands' social activities, especially those from more global brands (Sen et al., 2006). When consumers do not have sufficient knowledge to judge firms' good behaviors, they rely on signals, such as rankings and reputation scores. Furthermore, consumers may be motivated (involved) differently in consumer processes and with the product itself (Atkinson & Rosenthal, 2014). A brand's involvement, representing varying degrees of personal relevance, would influence consumers' attention and motivated processing (Clarke & Belk, 1978; Krugman 1966). Still, little scholarship has examined reputational signals on firm equity, globally (Connelly et al., 2011). Therefore, it is essential to understand how signals impact brand valuation for different brands. This leads to the following key research question: are reputation signals more effective for low involvement brands?

To answer the research question, signaling theory was used. Accordingly, for a signal to work and appear authentic, it must be sufficiently observable and costly to imitate (Spence 1974). Attitudes toward a company increase with positive reputational signals (Cho 2015). Secondary data were collected from publicized reports and investor reports, including the Interbrand website and Fortune reputation lists. Brands were also assigned an involvement score of 1 (high) or 2 (low), depending on the category served. In total, the database consisted of 135 brands.

Regression analysis, examining the impact of reputation scores and involvement on brand equity from 2012 to 2014. A similar pattern emerged. Higher involvement brands had biased effects on brand equity ($\beta 12 = -.69$; $p < .01$; $\beta 13 = -.83$; $p < .01$; $\beta 14 = -1.14$, $p < .01$). However, involvement moderates the signaling effect from reputation scores on brand equity ($\beta 12 = -.63$; $p < .02$; $\beta 13 = .80$; $p < .01$; $\beta 14 = 1.07$, $p < .01$), meaning low involvement brand increase the effect of reputation scores on brand equity. This research makes several contributions. First, it combines models of financial and consumer based brand equity. Second, the data supports involvement level as influencing brand signal effectiveness. Third, the research provides implications for marketers.