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Warm Glow or Extra Charge? The Ambivalent Effect of Corporate Social Responsibility Activities on Customers' Perceived Price Fairness

Prior research has firmly established that consumers draw benefits from a firm's engagement in corporate social responsibility (CSR), especially the feeling of a "warm glow." These benefits positively affect several desirable outcomes, such as willingness to pay and customer loyalty. The authors propose that consumers do not blindly perceive benefits from a firm's CSR engagement but tend to suspect that a firm's prices include a markup to finance the CSR engagement. Taking customers' benefit perceptions and price markup inferences into account, the authors suggest that CSR engagement has mixed effects on consumers' evaluation of price fairness and, thus, on subsequent outcomes such as customer loyalty. The authors conduct one qualitative study and four quantitative studies leveraging longitudinal field and experimental data from more than 4,000 customers and show that customers indeed infer CSR price markups, entailing mixed effects of firms' CSR engagement on price fairness. The authors find that perception critically depends on customers' CSR attributions, and they explore the underlying psychological mechanisms. They propose communication strategies to optimize the effect of CSR engagement on perceived price fairness.

Keywords: corporate social responsibility, price fairness, cost perceptions, behavioral pricing

Online Supplement: http://dx.doi.org/10.1509/jm.14.0389

Firms frequently engage in corporate social responsibility (CSR) so that they may be perceived as fair market actors (Campbell 2007). From customers' perspective, a key manifestation of a firm's fairness in the exchange relationship is price fairness (Guo 2015; Xia, Monroe, and Cox 2004). However, the impact of CSR activities on customers' perceptions of price fairness has not previously been explored. Prior research might lead one to assume a positive association of CSR engagement and perceived price fairness (e.g., De Pelsmacker, Driesen, and Rayp 2005; Du, Bhattacharya, and Sen 2007; Lichtenstein, Drumright, and Braig 2004) because the "warm glow" created by helping others adds to customers' benefits from the relationship with the firm (Andrews et al. 2014).

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However, we argue that despite its intuitive appeal, this logic may be misleading because customers do not judge price fairness solely on the basis of the benefits they obtain. Instead, prior research has established that customers weigh the benefits against costs induced by a purchase (Homans 1961; Xia, Monroe, and Cox 2004). Thus, how CSR actions relate to perceived price fairness depends not only on customers' "warm glow" but also on the question of how CSR engagement affects customers' cost perceptions. Specifically, if customers infer that a company charges higher prices to finance its CSR engagement, their perception of price fairness may not improve and may even deteriorate, indicating a negative effect of CSR on price fairness.

Anecdotal evidence confirms that customers may consider CSR price markups by viewing firms "to pass on responsibility and cost for sustainability initiatives down the supply chain whilst taking the credit" (CorporateWatch 2006, p. 16). Similarly, Chandler and Werther (2014, p. 166) indicate that firms might "pass [CSR] cost increases on to their customers in the form of higher prices." In this respect, a recent *Forbes* article states that "consumers and the public expect sustainability as a baseline condition of business [but] they don't expect to pay for it" (Unruh 2011).

To our best knowledge, the notion that CSR engagement may induce customers to infer a cost burden has not been the subject of previous marketing research. Consequently, prior marketing research cannot fully explain the CSR–price

ISSN: 0022-2429 (print)
1547-7185 (electronic)

Journal of Marketing
Vol. 80 (January 2016), 84–105
DOI: 10.1509/jm.14.0389

fairness linkage, and it thus remains unclear how firms' CSR activities influence the perception of price fairness. The Web Appendix illustrates the research void addressed in this study.

This prevailing lack of clarity is not only troublesome for marketing research but also problematic for managerial practice, because firms lack guidance on how to effectively manage the price-related consequences of their CSR. If being perceived as socially caring comes at the expense of a firm's price image, the firm will face a goal conflict, requiring careful management of the trade-off between being perceived as fair in terms of social engagement and fair in terms of price. Thus, examining the CSR–price fairness linkage is highly relevant to the effectiveness of firms' strategies to manage price-related consequences of their social activities.

In light of the strong theoretical and practical significance of CSR, we explore in detail the relationship between firms' CSR engagement and customer perceptions of price fairness, as well as the underlying psychological mechanisms of this relationship, with a particular focus on customers' perceptions of a price markup that arises from CSR activities. We define CSR engagement as the level to which customers perceive a firm to engage in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams and Siegel 2001, p. 117). Moreover, we develop and verify CSR communication strategies to optimize the effect of firms' social activities on perceived price fairness. To achieve these research goals, we devised one qualitative interview study and four large-scale quantitative studies comprising experimental and field data from more than 4,000 customers. Figure 1 gives an overview of the four studies and the conceptual framework, and the Web Appendix describes two additional experiments.

Drawing on insights from the interviews, Study 1 examines the effect of firms' CSR engagement on perceived price fairness moderated by customers' intrinsic CSR attribution. The results reveal that CSR engagement increases perceptions of price fairness for customers who attribute the engagement to intrinsic firm motives but substantially decreases price fairness otherwise. Study 2 assesses whether this finding can be explained in terms of the benefit and price markup that customers perceive to result from CSR engagement. In Study 3 we advance the understanding of the mechanisms responsible for the effects of firm CSR engagement on perceived price fairness by accounting for two types of CSR (i.e., business-process and philanthropic CSR) and customers' resulting inferences regarding firms' CSR costs. We differentiate the perceived *level* of firm CSR costs and the perceived *type* of firm CSR costs.

A key insight that emerged across Studies 1–3 is that in the case of customers' extrinsic CSR attribution, a firm's CSR engagement may afflict price fairness perceptions through customers' perceived price markup. To remedy this detrimental effect and provide actionable guidance to firms, in Study 4 we develop and empirically verify CSR cost communication strategies. The results of a scenario-based experiment show that framing firms' CSR spending as drawing from top management salaries, advertising budgets, or company profits constitutes a viable strategy to counter the potentially harmful effects of CSR engagement.

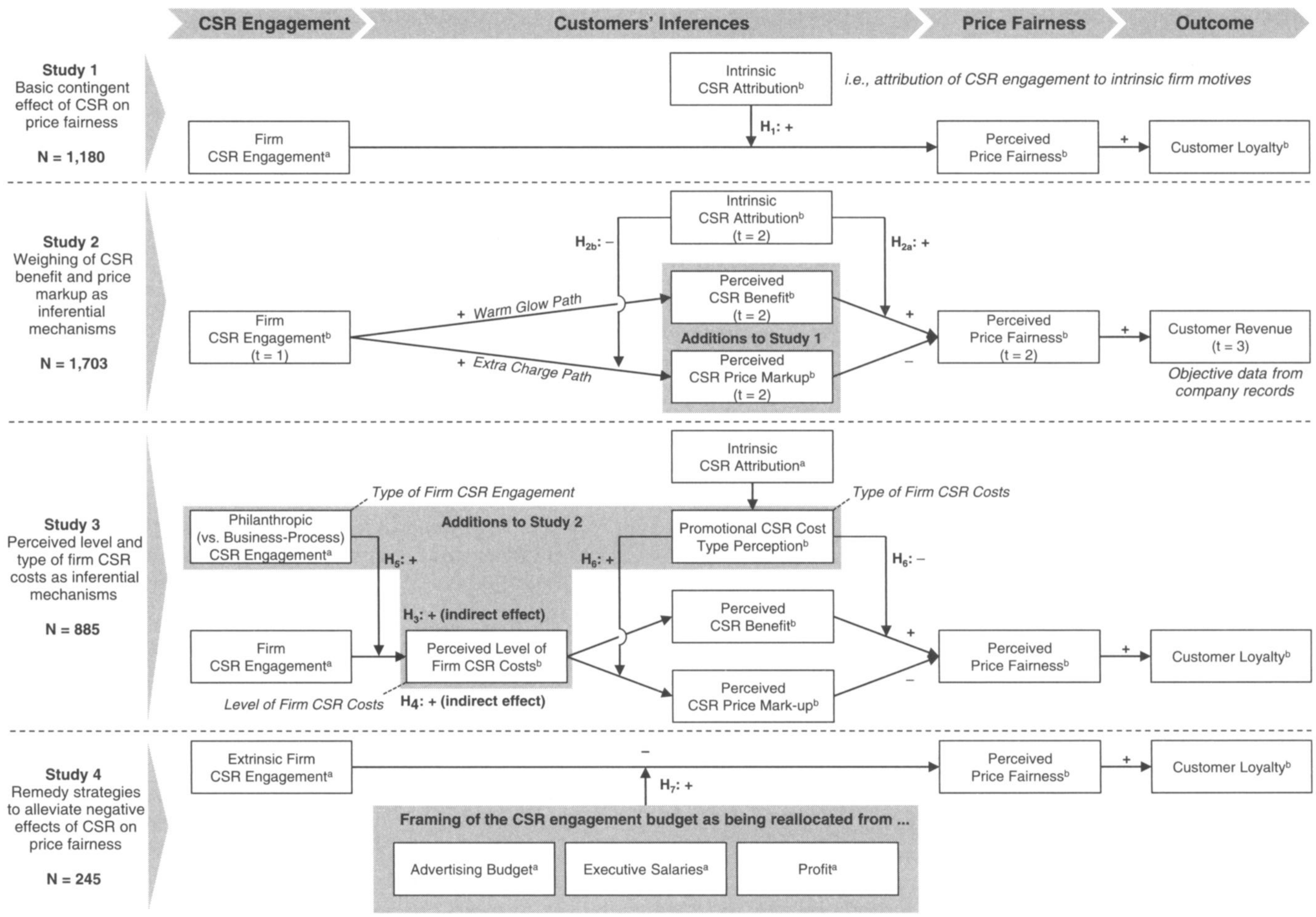
As the first article to holistically explore the relationship between CSR engagement and price fairness perceptions, this investigation makes four meaningful contributions to the marketing literature. First, prior marketing research has neglected to examine whether a firm's CSR engagement may foster not only customers' benefit perceptions but also their cost perceptions in the form of a price markup. Thus, our primary contribution to marketing research is the finding that customers' CSR price markup perceptions indicate a negative effect of firms' CSR engagement on price fairness and subsequent customer outcomes. Consequently, we find evidence that CSR engagement exhibits mixed effects on perceived price fairness through customers' perceived benefits (delineating the positive effect) and perceived costs (delineating the negative effect). Second, we add knowledge to marketing research by clarifying that the mixed effects of firms' CSR engagement on perceived price fairness are strongly contingent on customers' intrinsic CSR attribution. For high levels of intrinsic CSR attribution, the positive effect of CSR engagement on perceived price fairness seems to prevail, whereas for low levels of intrinsic CSR attribution, the negative effect reigns. In this respect, our work is similar to that of Forehand and Grier (2003) in that we also focus on the interactive effect of firm CSR engagement and customer attributions on customer outcome variables. However, our studies extend Forehand and Grier's findings because we show that customers not only derive benefits from a company's CSR engagement but also infer costs to the firm that they expect to be financed through price markups. In doing so, we focus on elucidating customers' cost-related psychological mechanisms concerning the CSR–price fairness linkage, whereas Forehand and Grier investigate the influence of firms' publicly stated CSR motives on customer skepticism. Third, we make an essential contribution to CSR research in general. Recently, researchers have stated that "there seems to be a lack of understanding of the underlying mechanisms linking CSR with outcomes" (Aguinis and Glavas 2012, p. 953), with only 7% of CSR articles focusing on mediation effects. We broaden the knowledge in this research stream by introducing customers' CSR cost-related inferential mechanisms.

Hypothesis Development: Examining the CSR–Price Fairness Linkage

Distributive Justice as the Conceptual Basis of Price Fairness

We define price fairness as "a consumer's subjective sense of a price as right, just, or legitimate versus wrong, unjust, or illegitimate" (Campbell 2007, p. 261). On the most elementary level, customers' assessment of distributive price fairness rests on the concept of distributive justice (Homans 1961), which is a cornerstone of social exchange theory (e.g., Blau 1964; Thibaut and Kelley 1959). According to social exchange theory, customers perceive an exchange relationship as fair if the outputs from the relationship at least equal the investment into the relationship (Homans 1961). In the context of price fairness, customers assess a product's price as

FIGURE 1
Overview of the Conceptual Framework



[a]Dummy variable with the treatment condition coded as 1 and the control condition coded as 0.
[b]Customer survey data.

fair if their perceived benefit from the product meets or exceeds their perceived purchase costs (Xia, Monroe, and Cox 2004).

Adopting the concept of distributive justice as our guiding theory, we base our conceptualization on the notion that CSR engagement potentially affects customers' benefit–cost comparison. In particular, if customers know that the money they spend supports good causes, they might perceive an added value (i.e., a "warm glow") from purchasing a product. As a result, their perceived benefit–cost ratio—and, thus, their perceived price fairness—may improve. In contrast, customers might have perceptions of elevated product costs, believing that prices might have been lower if the company had not invested part of its revenue in CSR activities. Consequently, customers' perceived benefit–cost ratio—and, thus, their perception of price fairness—may deteriorate.

Distinguishing Price Fairness from Related Price Perception Constructs

The role of price fairness in price information processing. Perceived price fairness constitutes the core dependent variable in our conceptual framework. In this subsection, to substantiate its eligibility and focal role in our model, we distinguish price fairness from related constructs in customers' price perception. To this end, we rely on the price information processing model firmly established by behavioral pricing research (Dodds, Monroe, and Grewal 1991; Jacoby and Olson 1977; Niedrich, Sharma, and Wedell 2001). According to this model, customers process prices in four steps: (1) perception of objective price, (2) formation of subjective price, (3) price evaluation, and (4) price-related behavior. To elaborate, in the first step, customers observe and decode the price stimulus. In the second step, customers form a subjective understanding of the price by assessing their perceived sacrifice (i.e., the monetary loss they suffer when paying the price; Zeithaml 1988). The third step of the price information processing model is characterized by an integration of customers' perceived sacrifice with additional informational inputs (Jacoby and Olson 1977) to evaluate the price stimulus more comprehensively. Behavioral pricing research has viewed customers' perceived quality from the transaction as an important additional input to the price evaluation (Zeithaml 1988). Perceived quality reflects customers' assessment of the performance of product attributes (Sweeney and Soutar 2001). Specifically, customers engage in a mental trade-off weighing perceived price sacrifice against benefits such as perceived product quality to form a price evaluation, resulting in customers' perception of a product's price–value ratio (Sweeney and Soutar 2001; Zeithaml 1988).

Importantly, customers' perceived price fairness likewise belongs to the price evaluation phase because it comprises a weighing of perceived benefits and perceived costs (i.e., perceived sacrifice). Although both price–value ratio and price fairness represent price evaluations and thus imply benefit–cost trade-offs, the key difference between these constructs pertains to the strong influence of social norms on price fairness formation (Maxwell 2002). More specifically, when judging a firm's price fairness, customers not only account for the economic trade-off of benefits and costs (as they do for price–value ratio) but also factor in whether the company adheres to commonly accepted fairness norms. For example, in line with the dual entitlement principle, if a firm charges high prices owing to high costs, customers may judge the firm's price–value ratio as low but may still perceive price fairness as high because charging higher prices in the face of higher costs may be socially accepted (Kahneman, Knetsch, and Thaler 1986). As Maxwell (2002, p. 193) puts it, "they [customers] may judge the economic acceptability of the price magnitude in relation to their own self-interest, but at the same time they judge the social acceptability of the price in relation to community standards or rules."

Eventually, in the fourth step, customers' price evaluation constitutes a key influence on their price-related behaviors or behavioral intentions. Thus, behavioral pricing research has strongly focused on the analysis of customers' willingness to pay (WTP) as a key behavioral intention (e.g., Wertenbroch and Skiera 2002). According to the price information processing model, price fairness constitutes a predictor of customers' WTP.

Motivation for selecting price fairness as focal outcome. Having differentiated perceived price fairness from related constructs such as perceived sacrifice, perceived quality, perceived price–value ratio, and WTP (Zeithaml 1988), we next elaborate on our motivation for selecting perceived price fairness as the key dependent variable in our conceptual model. We selected perceived price fairness as the key dependent variable instead of alternative price-related variables such as WTP for three reasons: First, CSR engagement and perceived price fairness exhibit a very high theoretical fit because both concepts are similarly rooted in the fundamental social norms of equity and reciprocity prescribed by social exchange theory (Gouldner 1960). That is, both a firm's social engagement and its perceived price fairness reflect the extent to which the firm strives to achieve equity in the exchange relationship with its key stakeholders. Second, our study focuses on customers' inferences of price markups caused by CSR engagement, which have been neglected in previous research, as well as customers' perceived CSR benefits. According to the concept of distributive justice, weighing costs (e.g., an elevated price) and benefits is the central process leading to evaluations of price fairness (Xia, Monroe, and Cox 2004), which underlines the eligibility and, indeed, necessity of perceived price fairness in our model. In their seminal work on interpersonal equity in marketing, Oliver and Swan (1989) emphasize the need to distinguish between equity-based variables that reflect a cost–benefit ratio with variables that comprise only costs or benefit perceptions, such as perceived quality or perceived sacrifice. Third, behavioral pricing research has stated that WTP constitutes an outcome of perceived price fairness because the latter represents an evaluation of price that induces subsequent price-related behavioral intentions such as WTP (Zeithaml 1984). Confirming this notion, Thaler (1985) states that price fairness is a key determinant of WTP. Simultaneously, prior research on price information processing has clarified that perceived quality and perceived sacrifice represent predictors of price fairness. Consequently, when conceptualizing a fine-grained view of the effects of CSR engagement on customers' perceived CSR benefits and costs, we do not believe perceived quality, perceived sacrifice, and WTP to be sensible dependent variables. Instead, focusing on perceived price fairness as a construct that balances customers' benefit and cost perceptions and reflects social norms seems to be a reasonable approach by which to pursue our research goals. Importantly, although we focus on perceived price fairness in our conceptual model, we validate our results for perceived sacrifice, quality, price–value ratio, and the WTP-related construct willingness to pay more to lend additional support to our conceptualization.

The Effect of CSR Engagement on Perceived Price Fairness

In summary, theoretical considerations based on the distributive justice concept suggest that CSR engagement may exert mixed effects on perceived price fairness through CSR benefit and price markup perceptions. We argue that whether the positive or negative effect prevails depends on customers' specific inferences regarding a company's CSR engagement. To gain first insights into the CSR engagement–perceived price fairness linkage, we conducted three focus groups, with four to six participants in each group. The Web Appendix provides information on the methodological details and the sample composition of the focus group study. In the following section, we present the results of this preliminary focus group study and draw on existing literature to derive formal research hypotheses.

Perceived benefits of CSR engagement. All focus group participants acknowledged clear benefits of firm CSR engagement for customers. In the eyes of the focus group participants, these benefits range from gaining access to more healthy, organic products to the warm glow they feel when purchasing fair-trade products or products from companies that engage in good deeds. For example, Respondent B noted, "For me personally, a labeled fairly traded or ecologically produced product definitely has a higher benefit." Respondent Q elaborated, "If I had to decide between two products, and I could clearly see how sustainable or socially responsible both products are, I would most probably choose the higher-rated product. Because it is worth it." How do these benefit perceptions translate into price fairness? As we have discussed, customers consider prices to be fair if their perceived benefit from purchasing products meets or exceeds their perceived costs (Homans 1961; Xia, Monroe, and Cox 2004). Thus, if CSR engagement increases customers' perceived benefit, they may evaluate the price level as fairer.

Perceived costs of CSR engagement. In all three focus groups, participants brought up and critically discussed the question of costs of CSR engagement and their implications for a company's pricing. Participants agreed that they believed that some companies that engage in CSR activities pass along the resulting costs to their customers in the form of increased prices. For example, Respondent G asserted, "I really do think the additional costs for CSR are compensated by charging higher prices." Similarly, Respondent F noted, "I think it is very complicated because the customer does not know which proportion of the price is really due to CSR investments."

Again, the concept of distributive justice helps explain how such perceptions translate into price fairness. In particular, if customers believe that CSR engagement leads to higher prices, their perceived benefit–cost ratio from purchasing products may drop, leading them to evaluate prices as less fair. Our focus group interviews support this notion. For example, Respondent A stated, "If they have spare money, they should do something good with it. But if it means that CSR investments have to be compensated by higher prices for us customers, I am clearly against that." Furthermore, Respondent K explained, "I think it is just plain unfair if a company charges higher prices to support social causes."

As outlined previously, CSR engagement potentially increases both the benefits and the costs customers associate with products, leading to opposing indirect effects of CSR engagement on price fairness. We argue that the strengths of these effects depend on customers' perceptions of the firm's CSR engagement. In other words, under certain circumstances the positive effect of CSR engagement on perceived price fairness through benefit perceptions might prevail, while under other circumstances the negative effect through price markup perceptions might prevail. We elaborate on such a contingency subsequently.

Moderating effect of CSR attribution. We theorize that the effect of CSR engagement on perceived price fairness is moderated by customers' attributions of a company's motives for engaging in a social cause. In particular, we propose that customers' perceived price fairness is more positively affected by CSR engagement if the company appears to be intrinsically motivated and more negatively affected if this is not the case. Many studies have empirically observed that customers make assumptions about a firm's underlying motives for CSR engagement and that these beliefs lead to observable outcomes on a behavioral level (Ellen, Webb, and Mohr 2006; Webb and Mohr 1998). Researchers have typically employed attribution theory to understand underlying psychological mechanisms (Kelley 1967). The literature on customers' attributions of a company's CSR effort has mainly distinguished between intrinsic and extrinsic attributions of the company's motives for a certain CSR commitment (Du, Bhattacharya, and Sen 2010). In making extrinsic attributions, customers primarily infer strategic or financial motives for a company's involvement in a CSR activity, whereas in making intrinsic attributions, they perceive the firm to have altruistic, honest motives (Becker-Olsen, Cudmore, and Hill 2006; Forehand and Grier 2003). Building on this prior research, we propose that intrinsic CSR attribution moderates the indirect effects of firm CSR engagement on perceived price fairness through both perceived CSR benefit and perceived CSR price markup.

Warm-glow path. First, regarding the indirect effect of firm CSR engagement through perceived CSR benefit, we argue that the positive effect of perceived CSR benefit on perceived price fairness is more pronounced the more customers perceive firms' CSR engagement to be intrinsically motivated—a prediction derived from the concept of distributive justice, which suggests that CSR engagement creates an emotional value for customers that improves their benefit–cost ratio and, thus, their perceived price fairness. However, we argue that the extent to which this incorporation of emotional value takes place depends on customers' attribution of a firm's CSR engagement. If customers perceive engagement to arise from self-serving rather than intrinsic motives, they may doubt the authenticity of the engagement and thus be uncertain of their benefit from the CSR engagement (Barone et al. 2000). The more uncertain customers feel about their CSR benefit, the less weight they may place on this benefit in their price fairness judgments.

Extra-charge path. Second, as to the indirect effect of firm CSR engagement through perceived CSR price markup, we argue that the positive effect of a firm's CSR engagement on perceived CSR price markup is less pronounced the more customers perceive a firm's engagement to be intrinsically motivated. When customers attribute CSR engagement to intrinsic motivation (and thus, to altruism), to form consistent inferences they should be likely to infer that the company also acts altruistically in financing its CSR engagement (Uleman et al. 2008). More specifically, customers should be less likely to suppose that the firm marks up prices to cover its CSR costs because this behavior is not altruistic and thus conflicts with the firm's altruistic CSR engagement. In contrast, if customers conclude that self-serving goals underlie a firm's CSR engagement, they should be more likely to infer that the company is also acting in a self-serving manner by financing its CSR engagement through passing the costs on to the customer.

In line with this reasoning, we derive three formal hypotheses. H_1 refers to the moderated overall effect of CSR engagement on perceived price fairness without taking into account customers' perceived benefit and price markup as mediators:

H_1: The overall effect of firm CSR engagement on customers' perceived price fairness is more positive for high levels of intrinsic attributions and less positive for low levels of intrinsic attributions.

H_{2a} and H_{2b} refer to the moderated, indirect effects of CSR engagement on perceived price fairness through our two hypothesized mediators (i.e., customers' perceived CSR benefit and price markup). We hypothesize the following:

H_{2a}: The more customers attribute the CSR engagement to intrinsic motives, the greater the positive indirect effect of firm CSR engagement on perceived price fairness through perceived CSR benefit. This effect occurs because intrinsic CSR attribution positively moderates the effect of perceived CSR benefit on perceived price fairness.

H_{2b}: The less customers attribute CSR engagement to intrinsic motives, the greater the negative indirect effect of firm CSR engagement on perceived price fairness through perceived CSR price markup. This effect occurs because intrinsic CSR attribution negatively moderates the effect of CSR engagement on perceived CSR price markup.

Firm CSR Costs as the Key Inferential Mechanism of the CSR–Price Fairness Linkage

To generate a more profound understanding of the CSR–price fairness linkage, we delve more deeply into the psychological mechanisms responsible for our predictions in H_1 and H_{2a-b}. We argue that the mechanism responsible for the influence of firms' CSR engagement on customers' perceived price fairness can be explained in terms of customers' inferences of firms' CSR costs. We differentiate the perceived *level* of costs and the *type* of costs. The distinction between level and type of firm CSR cost builds on seminal work on signaling theory in marketing (Kirmani and Rao 2000), which suggests that firm costs may be conceived of as signals to the customer to overcome information asymmetries (see also Erdem and Swait 1998; Ippolito 1990). We argue that the extent of firms' CSR engagement fosters customer perceptions of the level of firm CSR costs, while customers' attributions of CSR engagement to intrinsic or extrinsic motivation are associated with the perceived type of firm CSR costs. Thus, we regard the type of CSR costs as the extent to which customers perceive CSR costs as promotional costs (Yoon, Gürhan-Canli, and Schwarz 2006). Furthermore, we suggest that the interactive effect of the perceived level and type of firm CSR costs needs to be considered when exploring the indirect effects of firms' CSR engagement on perceived price fairness. In the following subsections, we detail our reasoning on the perceived level and type of firm CSR costs as the key inferential mechanisms that underlie the CSR engagement–perceived price fairness relationship.

Perceived level of firm CSR costs. Applying the logic of Kirmani and Rao's (2000) cost-signaling framework, we argue that the stronger a firm's CSR engagement, the more likely customers should be to infer high levels of firm CSR costs, which in turn increase both customers' perceived CSR benefit and their perceived CSR price markup. To elaborate, if customers perceive a firm to be highly engaged in CSR, they tend to infer high CSR costs because a higher number of social activities typically entails higher expenses (Du, Bhattacharya, and Sen 2010). Prior research has established that customers engage in such cost-related inferential reasoning when processing marketing campaigns (Kirmani and Wright 1989). High CSR costs may eventually lead customers to infer that the firm's social projects are sufficiently endowed with resources to effectively support the targeted social cause (Du, Bhattacharya, and Sen 2010). As a result, customers should be more likely to realize personal benefits from a firm's CSR engagement—that is, feel the warm glow of helping others (Andrews et al. 2014). Thus,

H_3: Firm CSR engagement has a positive indirect effect on customers' perceived CSR benefit through their perceived level of firm CSR costs.

Beyond this positive indirect effect of level of firm CSR engagement on perceived CSR benefit, we expect the former to exhibit a positive indirect effect on perceived CSR price markup through customers' perceived level of firm CSR costs. Prior price fairness research has posited that customers possess basic knowledge of how firms operate as well as of firms' financial requirements, which affects customers' perceived price fairness (e.g., Kahneman, Knetsch, and Thaler 1986; Xia, Monroe, and Cox 2004). As Xia, Monroe, and Cox (2004, p. 6) state, "They [customers] develop knowledge of marketers' pricing tactics and of the relative cost–profit composition of a product's price. This metaknowledge, whether accurate or not, guides consumers' fairness judgments." Thus, customers may expect firms to cover their costs to remain in business (Kalapurakal, Dickson, and Urbany 1991). Consequently, customers should be aware that a firm that carries high CSR costs must cover these expenses and may believe that "costs may be passed on through price" (Kirmani 1990, p. 163). We hypothesize the following:

H_4: Firm CSR engagement has a positive indirect effect on customers' perceived CSR price markup through their perceived level of firm CSR costs.

Type of CSR engagement. The type of a firm's CSR engagement (i.e., philanthropic vs. business-process CSR engagement) interacts with the firm's level of CSR engagement; thus, we argue that the type of CSR engagement is a key characteristic that shapes customers' perceived level of firm CSR costs. Specifically, we predict that the positive effect of firm CSR engagement on perceived level of firm CSR cost is enhanced for philanthropic CSR engagement because customers process philanthropic CSR engagement differently than business-process CSR engagement. Philanthropic CSR engagement comprises social activities targeted to stakeholders outside the firm, such as people in need, nongovernmental organizations, or local communities, and may take the form of monetary donations or support through providing equipment. Conversely, business-process CSR engagement focuses on intraorganizational stakeholders such as employees and may encompass employee support programs or the implementation of a more sustainable value chain (Homburg, Stierl, and Bornemann 2013).

We base our proposition for the interactive effect of level of firm CSR engagement and type of CSR engagement on two arguments: First, business-process CSR engagement can imply significant financial payoffs for the firm—for example, in the case of employee support programs, which have been shown to significantly enhance the work engagement and productivity of the workforce (Bhattacharya, Sen, and Korschun 2008). Thus, the firm is a direct beneficiary of the CSR engagement itself. In the case of philanthropic CSR engagement, potential benefits for the firm unfold more indirectly through enhanced attitudes of firm-external stakeholders. When inferring the level of a firm's CSR costs from the level of its CSR engagement, customers may factor in their perceptions of the greater direct benefits that firms derive from business-process CSR engagement compared with philanthropic CSR engagement. As a result, customers may infer lower costs from business-process CSR engagement than from philanthropic CSR engagement.

Second, philanthropic CSR engagement implies an instant benefit to society that can be measured in cash value, whereas business-process CSR engagement presents a societal benefit that is more indirect, and customers may perceive it as paying off only in the long run. Although business-process CSR engagement may be equally expensive for firms as philanthropic CSR engagement, instances of philanthropy and the dollar value related to this type of CSR engagement may thus be more salient to customers (Sen, Bhattacharya, and Korschun 2006). We therefore expect that the effect of firm CSR engagement on customers' perceived level of firm costs is enhanced for philanthropic CSR engagement. Thus,

> H_5: The positive effect of firm CSR engagement on customers' perceived level of firm CSR costs is more pronounced for philanthropic than for business-process CSR engagement.

Intrinsic attributions and type of firm CSR cost. In Study 3, we aim to refine the results of Study 2 by providing a detailed explanation of the specific inferential mechanisms that underlie the firm CSR engagement–perceived price fairness linkage. Therefore, H_6 mirrors H_{2a} and H_{2b}, in which we argue that both the positive and the negative indirect effects of CSR engagement on perceived price fairness through customers' perceived CSR benefit and perceived CSR price markup are moderated by customers' CSR attribution. However, in H_6 we focus on the moderating influence of the promotional CSR cost type perception, which is closely associated with customers' CSR attribution. In particular, we expect that customers who perceive a firm's CSR engagement to be extrinsically motivated are more likely to perceive the firm's CSR costs as promotional. If customers perceive that CSR costs are promotional, they may be more likely to expect that a company marks up its prices to finance these costs and less likely to factor in perceived CSR benefit when evaluating price fairness. Consequently, we expect the same pattern of results to emerge for the moderating influence of promotional cost type perception as for intrinsic CSR attributions in Study 2. Therefore, we hypothesize the following:

> H_6: The greater the extent to which customers perceive firms' CSR costs as promotional costs, the weaker the positive and the stronger the negative indirect effect of CSR engagement on perceived price fairness.

Study 1: The Contingent Basic Effect of CSR on Price Fairness

Study 1 investigates the effect of the level of firm CSR engagement on perceived price fairness in a representative cross-industry sample while taking into account customers' perception of the company's motivation for engaging in CSR (i.e., intrinsic CSR attribution).

Method

Design of the study. We used a between-subjects scenario experiment and manipulated participants' perceived level of firm CSR engagement. To this end, we recruited 2,248 respondents, asking them to evaluate a company from a set of 74 firms (30 respondents for each company). The 74 companies represented a cross-industry sample of major business-to-consumer brands as indicated by Interbrand[1] (e.g., Apple, BMW, Gillette, Wal-Mart). Research assistants recruited respondents by asking pedestrians in the inner-city area to volunteer, randomly assigning them to either the experimental group or the control group. Half the participants (15 respondents per company) were given information about the firm's most prominent CSR engagement to increase their perception of the company's level of CSR engagement. The other half did not receive this information, constituting the low perceived level of firm CSR engagement group.

In the first part of the questionnaire, we provided all respondents with a short description of the company (approximately 100 words) and asked them about the degrees to which they were familiar with and had patronized the company. Then, we provided the treatment group with a text that included information on the company's most prominent CSR engagement (approximately 150 words). The control group received no information on the company's CSR engagements. We took special care to make the text fragments as comparable as possible (the Web Appendix shows a sample text fragment for one company). All respondents were then asked to evaluate the price fairness of the company as well as their perception of the level of the company's CSR engagement. Members of the treatment group were also asked to state whether they believed that intrinsic motives drove the company's CSR engagement.

Sample description and measurement. The sample consisted of 2,248 respondents (48.9% male; mean age = 29.9 years). Of the respondents, 1,180 reported that they were familiar with the company and indicated that they had patronized the company in the past. We chose only these respondents for the data analyses because they were able to make an informed judgment of the company's prices. The Appendix shows our measures.

Results

Manipulation checks. We compared the mean values of participants' perception of the level of firm CSR engagement

[1]http://www.rankingthebrands.com/The-Brand-Rankings.aspx?rankingID=37&year=697.

between the control and experimental groups (for measurements, see the Appendix). Because the experimental group exhibits a significantly higher perceived level of firm CSR engagement ($M_{control} = 3.38$, $M_{treatment} = 3.81$; $\Delta M = .43$, $t = 6.73$, $p < .001$), we conclude that our treatments had the intended effect.

Hypothesis testing. We analyzed the effects of the experimental treatment with an analysis of variance (ANOVA). Perceived price fairness varies significantly across the control and treatment groups ($F(1, 1{,}179) = 4.77$, $p < .05$). Perceived price fairness is significantly lower in the treatment group than in the control group ($M_{treatment} = 4.02$, $M_{control} = 4.13$; $p < .05$). To explore the effect of intrinsic CSR attribution and, thus, test H_1, we partitioned the treatment according to whether respondents believed the company to be intrinsically motivated to engage in CSR. As a cutoff point, we chose the median of the variable, which is identical with the midpoint of the scale (at a value of 4). For high intrinsic CSR attribution, perceived price fairness is significantly higher than for low intrinsic CSR attribution ($M_{high} = 4.47$, $M_{low} = 3.73$; $F(1, 581) = 43.92$, $p < .05$), which confirms H_1.

Discussion of Study 1

Study 1 revealed that the effect of a firm's level of CSR engagement on customers' price fairness judgments is highly context sensitive. In cases in which customers attributed companies' CSR activities to intrinsic motives, CSR engagement improved perceived price fairness. Conversely, when customers did not attribute companies' CSR activities to intrinsic motives, CSR worsened perceived price fairness. Moreover, as we expected, customers' perceptions of the fairness of the companies' prices significantly translate to customer loyalty intentions ($r = .51$, $p < .001$). In Study 2, we aim to get a deeper understanding of the underlying psychological processes that influence customers' price fairness judgments in terms of perceived CSR benefit and perceived CSR price markup.

Study 2: Weighing of CSR Benefit and Price Markup as Inferential Mechanisms

Research Context and Data Collection Procedure

We conducted Study 2 in cooperation with a large international retail company. The company engages in a variety of CSR activities that are typical of companies of its size and industry. We collected data from 1,703 customers through an online survey. To preclude a selection bias, we compared respondents with the company's overall customer base on several variables, including age, gender, region, and income. Because we found no significant differences ($p > .10$), indicating that respondents were representative of the company's customer base, we are confident that selection bias is not a major concern in our study. Noting that our conceptual framework links several customer perceptions, we carefully designed the data collection to preclude common method bias: we separated the measurement of independent and dependent variables by collecting data through two surveys with a time lag of eight weeks and collected customers' objective revenue from company records for the eight-week period following the second survey (Podsakoff et al. 2003).

Measurement, Reliability, and Validity Diagnostics

The Appendix provides survey measurements for firm CSR engagement, perceived CSR benefit, perceived CSR price markup, perceived price fairness, and intrinsic CSR attribution. We controlled for two potentially intervening variables. First, we included customers' attitude toward CSR (e.g., Lichtenstein, Drumwright, and Braig 2004), measured in the second survey. Second, we controlled for customer loyalty (e.g., Homburg, Wieseke, and Hoyer 2009), measuring it in the first survey to mitigate reverse causality issues. Table 1 shows correlations and reliability diagnostics for all variables. All survey measures achieved adequate values for Cronbach's alpha (Nunnally 1978) and average variances extracted (Fornell and Larcker 1981). Furthermore, all constructs were discriminant according to the Fornell–Larcker (1981) criterion.

Results

Main results. We estimated the path model depicted in Figure 1 using Mplus 7 (Muthén and Muthén 2010). For the estimation of the mediation model, we followed Preacher and Hayes's (2008) recommendations and estimated the indirect effects and the direct effect simultaneously. The model achieved an adequate fit (comparative fit index = .98; Tucker–Lewis index = .95; root mean square error of approximation = .04; standardized root mean square residual = .01). Table 2 shows the estimated path coefficients. Next, we interpret the results of the model estimation in light of H_{2a} and H_{2b}.

In H_{2a}, we proposed that the indirect effect of firm CSR engagement → perceived CSR benefit → perceived price fairness is more positive for higher levels of intrinsic CSR attribution because intrinsic CSR attribution positively moderates the effect of perceived CSR benefit on price fairness. The results show that the effect of perceived CSR benefit on perceived price fairness is significantly positive ($\beta = .08$, $p < .01$) and moderated by intrinsic CSR attribution ($\beta = .08$, $p < .01$). Consequently, the indirect effect of firm CSR engagement on perceived price fairness through perceived CSR benefit depends on intrinsic CSR attribution: it is significantly positive as long as intrinsic CSR attribution is higher than half a standard deviation below the mean value of the scale (see the "Level of Intrinsic CSR Attribution" rows at the bottom of Table 2). Thus, in full support of H_{2a}, we find that intrinsic CSR attribution positively moderates the indirect effect of firm CSR engagement on perceived price fairness through perceived CSR benefit.

In H_{2b}, we proposed that the indirect effect of firm CSR engagement → perceived CSR price markup → perceived price fairness becomes more negative for lower levels of intrinsic CSR attribution because intrinsic CSR attribution negatively moderates the effect of firm CSR engagement on perceived CSR price markup. The results show that the effect

TABLE 1
Studies 2 and 3: Descriptive Statistics and Correlations

A: Study 2

Variable	M	SD	α	AVE	1	2	3	4
1. Firm CSR engagement	5.28	1.30	.98	.80				
2. Perceived CSR benefit	4.07	1.41	.88	.75	.49**			
3. Perceived CSR price markup	3.63	1.26	.80	.55	.05*	.11**		
4. Perceived price fairness	5.26	1.06	.90	.78	.31**	.30**	−.10**	
5. Intrinsic CSR attribution[a]	4.29	1.41	–[a]	–[a]	.57**	.62**	.03	.35**

B: Study 3

Variable	M	SD	α	AVE	1	2	3	4	5	6	7	8
1. Firm CSR engagement[b]	–[a]	–[a]	–[a]	–[a]								
2. Intrinsic CSR attribution[b]	–[a]	–[a]	–[a]	–[a]	.00							
3. Philanthropic CSR engagement[b]	–[a]	–[a]	–[a]	–[a]	.00	.00						
4. Perceived level of firm CSR costs	3.45	1.13	.98	.91	.40**	.05	.01					
5. Perceived CSR price markup	4.77	1.17	.81	.62	.22**	−.02	.04	.35**				
6. Perceived CSR benefit	3.86	1.36	.93	.81	.17**	.13**	.01	.42**	.22**			
7. Perceived price fairness	3.69	1.34	.97	.93	.14**	.17**	−.02	.27**	.05	.41**		
8. Promotional CSR cost type perception	5.45	1.08	.96	.88	.00	−.09**	.05	−.02	.14**	−.12**	−.13**	
9. Customer loyalty	2.91	1.45	.95	.87	.18**	.13**	−.02	.35**	.07*	.61**	.59**	−.11**

*$p < .05$.
**$p < .01$.
[a]Single-item measure.
[b]Dummy variable.
Notes: Two-tailed tests of significance. α = Cronbach's alpha; AVE = average variance extracted.

of firm CSR engagement on perceived CSR price markup is insignificant ($\beta = .04$, $p > .05$) but negatively moderated by intrinsic CSR attribution ($\beta = -.11$, $p < .01$). Consequently, the indirect effect of firm CSR engagement on perceived price fairness through perceived CSR price markup depends on intrinsic CSR attribution: it is significantly negative as long as intrinsic CSR attribution is lower than one-quarter of a standard deviation below the mean value of the scale (see the bottom of Table 2). Thus, intrinsic CSR attribution negatively moderates the indirect effect of firm CSR engagement on perceived price fairness through perceived CSR price markup, in support of H_{2b}.

Supplemental analyses. We conducted three supplemental analyses to extend and verify the robustness of our findings. First, we analyzed whether perceived CSR benefit and perceived CSR price markup exert a two-way interaction effect, or even a three-way interaction effect with intrinsic CSR attribution, on perceived price fairness. However, we found no significant interaction effects. Second, we analyzed our conceptual model for alternative outcome variables beyond perceived price fairness—that is, customers' perceived price–value ratio, quality, price sacrifice, and willingness to pay more. The results appear in Table 3 and are largely consistent with our main model: (1) The pattern of indirect effects for perceived price–value ratio as an outcome variable is similar to the pattern for perceived price fairness. This finding is to be expected, given that perceived price–value ratio likewise constitutes a price evaluation in the price information processing model (Jacoby and Olson 1977) and is, by definition, driven by a customer's evaluations of benefits and prices, which, according to the concept of distributive justice, are also the drivers of perceived price fairness (Homans 1961). (2) The pattern of indirect effects for perceived quality and perceived price sacrifice as outcome variables is consistent with the pattern for perceived price fairness. In particular, perceived quality is affected only by firm CSR engagement through perceived CSR benefit, whereas perceived price sacrifice is affected only through perceived CSR price markup. (3) The pattern of indirect effects for willingness to pay more as an outcome variable is similar to the pattern for perceived price fairness. This finding is expected because WTP-related constructs are likely outcomes of perceived price fairness (Campbell 1999; Herrmann et al. 2007; Martin, Ponder, and Lueg 2009). The high consistency across outcome variables underlines the robustness of our results.

Third, to verify our latter explanation that willingness to pay more represents an outcome of perceived price fairness, we estimated a model in which we included both of these constructs with an additional path from perceived price fairness on willingness to pay more. We discuss the results in the Web Appendix and suggest that perceived price fairness indeed serves as a mediator in the causal chain linking firm CSR engagement to willingness to pay more.

Discussion of Study 2

Our results provide further support for the notion that CSR engagement has mixed effects on perceived price fairness and offer a conceptual explanation for this effect. With regard to positive effects, customers may draw benefits from a

TABLE 2
Study 2: Estimated Path Coefficients

Path	Hypothesis	Estimated Coefficient
Warm-Glow Path		
Firm CSR engagement → Perceived CSR benefit		.17**
Perceived CSR benefit → Perceived price fairness		.08**
Extra-Charge Path		
Firm CSR engagement → Perceived CSR price markup		.04$^{n.s.}$
Perceived CSR price markup → Perceived price fairness		−.09**
Outcome		
Price fairness → Customer revenue		.06*
Interaction Effects		
Perceived CSR benefit × Intrinsic CSR attribution → Perceived price fairness	H_{2a}: +	.08**
Firm CSR engagement × Intrinsic CSR attribution → Perceived CSR price markup	H_{2b}: −	−.11**
Main Effects of Moderator		
Intrinsic CSR attribution → Perceived price fairness		.19**
Intrinsic CSR attribution → Perceived CSR price markup		.02$^{n.s.}$
Controlled Effects		
Firm CSR engagement → Perceived price fairness		.03$^{n.s.}$
Firm CSR engagement → Customer revenue		−.00$^{n.s.}$
Intrinsic CSR attribution → Perceived CSR benefit		.48**
Attitude toward CSR → Perceived CSR benefit		.07**
Attitude toward CSR → Perceived CSR price markup		.02$^{n.s.}$
Attitude toward CSR → Perceived price fairness		.08**
Customer loyalty → Perceived CSR benefit		.07**
Customer loyalty → Perceived CSR price markup		−.11**
Customer loyalty → Perceived price fairness		.26**
Customer loyalty → Customer revenue		−.02$^{n.s.}$

	Level of Intrinsic CSR Attribution								
Simple Slopes	**−1 × SD**	**−.75 × SD**	**−.5 × SD**	**−.25 × SD**	**Mean**	**+.25 × SD**	**+.5 × SD**	**+.75 × SD**	**+1 × SD**
Perceived CSR benefit → Perceived price fairness	.02 (p = .52)	.04 (p = .24)	.04 (p = .08)	.07 (p = .02)	.08 (p = .00)	.10 (p = .00)	.11 (p = .00)	.13 (p = .00)	.14 (p = .00)
Firm CSR engagement → Perceived CSR price markup	.12 (p = .00)	.10 (p = .00)	.08 (p = .01)	.06 (p = .05)	.04 (p = .21)	.02 (p = .53)	.00 (p = .95)	−.02 (p = .66)	−.04 (p = .39)
Indirect Effects (Tested Simultaneously)									
Firm CSR engagement → Perceived CSR benefit → Perceived price fairness (H_{2a})	.00 (p = .52)	.01 (p = .24)	.01 (p = .09)	.01 (p = .03)	.01 (p = .01)	.02 (p = .00)	.02 (p = .00)	.02 (p = .00)	.02 (p = .00)
Firm CSR engagement → Perceived CSR price markup → Perceived price fairness (H_{2b})	−.01 (p = .01)	−.01 (p = .01)	−.01 (p = .03)	−.01 (p = .08)	−.00 (p = .23)	−.00 (p = .54)	.00 (p = .95)	.00 (p = .67)	.00 (p = .41)

$^{*}p < .05$.
$^{**}p < .01$.
$^{n.s.}$Not significant ($p > .05$).
Notes: Two-tailed tests of significance. We report standardized coefficients.

company's CSR engagement, resulting in more favorable price fairness evaluations. However, the results show that this causal chain holds only if customers perceive a company's CSR engagement to be intrinsically motivated. Conversely, customers may infer elevated prices from the level of the company's CSR engagement, resulting in less favorable price fairness evaluations. Again, we find that this causal chain is highly contingent because it holds only for low intrinsic CSR attributions. Finally, we note that price fairness is positively associated with a customer's subsequent revenue (see Table 2).

Although Study 2 provides the first insight into the psychological mechanisms linking a firm's CSR engagement to customers' price fairness perceptions, the study leaves open three questions that we aim to address in Study 3. First, Study 2 focused on customers' impression of a firm's overall price fairness. To verify the robustness of our results, we narrow the focus in Study 3 to one particular transaction between a firm and a customer. That is, in Study 3 we examine how customers' perception of a firm's CSR engagement influences their inferences regarding CSR benefit, CSR price markup, and price fairness for a specific product. Second, owing to its survey design, Study 2 was not fully able to establish causal relationships between the level of a firm's CSR engagement and customers' perceptions of CSR benefits, CSR price markups, and price fairness. Thus, to provide stronger evidence for causality, Study 3 includes an experiment in which we manipulate the independent

TABLE 3
Study 2: Estimated Path Coefficients for Alternative Outcomes

Path	Dependent Variable				
	Perceived Price Fairness	Perceived Price–Value Ratio	Perceived Quality	Perceived Price Sacrifice	Willingness to Pay More
Warm-Glow Path					
Firm CSR engagement → Perceived CSR benefit	.17**	.17**	.17**	.17**	.17**
Perceived CSR benefit → Dependent variable	.08**	.04n.s.	.12**	–.03n.s.	.21**
Extra-Charge Path					
Firm CSR engagement → Perceived CSR price markup	.04n.s.	.04n.s.	.04n.s.	.04n.s.	.04n.s.
Perceived CSR price markup → Dependent variable	–.09**	–.07**	–.00n.s.	.20**	–.05*
Interaction Effects					
Perceived CSR benefit × Intrinsic CSR attribution → Dependent variable	.08**	.07**	.11**	–.02n.s.	.06**
Firm CSR engagement × Intrinsic CSR attribution → Perceived CSR price markup	–.11**	–.11**	–.11**	–.11**	–.11**
Main Effects of Moderator					
Intrinsic CSR attribution → Dependent variable	.19**	.16**	.16**	–.09**	.28**
Intrinsic CSR attribution → Perceived CSR price markup	.02n.s.	.02n.s.	.02n.s.	.02n.s.	.02n.s.
Indirect Effects					
Level of intrinsic CSR attribution: Low					
Firm CSR engagement → Perceived CSR benefit → Dependent variable	.00n.s.	–.00n.s.	.01n.s.	–.00n.s.	.03**
Firm CSR engagement → Perceived CSR price markup → Dependent variable	–.01**	–.01*	.00n.s.	.03**	–.01n.s. (p = .056)
Level of intrinsic CSR attribution: High					
Firm CSR engagement → Perceived CSR benefit → Dependent variable	.02**	.02**	.03**	–.01n.s.	.04**
Firm CSR engagement → Perceived CSR price markup → Dependent variable	.00n.s.	.00n.s.	.00n.s.	–.01n.s.	.00n.s.

*p < .05.
**p < .01.
n.s.Not significant (p > .05).
Notes: Two-tailed tests of significance. We report standardized coefficients. Controlled effects are included analogously to Study 2 but are not displayed in this table.

variables and subsequently measure the dependent variables through survey scales. Third, and most importantly, Study 2 did not address our predictions in H_3–H_6 regarding the roles of the level of firms' CSR costs, the type of firms' CSR costs, and the type of firms' CSR engagement (philanthropic vs. business process). Therefore, in Study 3 we experimentally manipulate the level of firm CSR engagement, customers' CSR attributions (intrinsic vs. extrinsic), and the firm's type of CSR (philanthropic vs. business-process activities) to assess whether our results from Study 2 might be explained in terms of customers' firm CSR cost perceptions derived from a cost-signaling perspective (Kirmani and Rao 2000).

Study 3: Perceived Level and Type of Firm CSR Costs as Inferential Mechanisms

Method

Stimuli and experimental design. We acquired 885 customers through a consumer panel (62% female; mean age = 42.1 years) and randomly assigned them to eight conditions in a 2 (firm CSR engagement: low vs. high) × 2 (CSR attribution: intrinsic vs. extrinsic) × 2 (type of firm CSR engagement: philanthropic vs. business process) between-subjects design. To render the scenarios highly realistic to the participants, we simulated the purchase of a brand-name external hard drive. In line with prior research, we manipulated customers' perceptions of the retailer's CSR by providing information on the level and type of the retailer's CSR engagement and its motive for engaging in social activities (e.g., Andrews et al. 2014; Barone et al. 2000).

Procedure. We instructed customers to imagine that they intended to purchase an external hard drive from the electronics brand PowerMart and were visiting a store of the brand. We then provided information on PowerMart's CSR engagement. In the high CSR engagement condition, participants were informed that PowerMart conducts social activities to a high extent, while in the low CSR engagement condition, participants were told that PowerMart conducts social activities to only a low extent (Mohr and Webb 2005). The corresponding treatment dummy equips us with a rigorous measure of the level of firm CSR engagement, which enables us to conclude how an increase of firm CSR engagement from low to high causally influences our variables (Mohr and Webb 2005; Spencer, Zanna, and Fong 2005).

Furthermore, building on our proposition in H_5 that the effect of firm CSR engagement on perceived level of firm CSR costs depends on whether the CSR engagement is philanthropic or related to business processes, we manipulated the type of the firm's CSR engagement. In the philanthropic CSR condition, we told participants that PowerMart donates money to people in need, whereas in the business process CSR condition, we specified that PowerMart designs its supply chain and production processes in an environmentally friendly and sustainable manner (Homburg, Stierl, and Bornemann 2013).

Subsequently, we manipulated participants' CSR attribution. In the intrinsic CSR motive condition, we informed participants that PowerMart engages in social activities owing to a genuine interest in societal welfare, whereas in the extrinsic CSR motive condition, we depicted PowerMart as engaging in CSR activities on profit and image grounds (Du, Bhattacharya, and Sen 2007). Finally, we told participants to imagine that when shopping in the PowerMart store they found an external hard drive that suits their needs, and we provided information on the hard drive, including its price. We then surveyed participants on their perceptions of this purchase scenario with regard to price and CSR perceptions.

Measures. The Appendix provides details for all scales. Drawing on a cost-signaling perspective across H_3–H_6, we argue that customers' inferences of firm CSR costs may account for the mixed effects of firm CSR engagement on perceived fairness. Therefore, in Study 3 we newly introduce the constructs of perceived level of firm CSR costs and perceived promotional CSR cost type, adopting scales from Kirmani (1990, 1997) and adjusting them to the study's context. Table 1 shows correlations and reliability diagnostics for all variables. All survey measures achieved adequate psychometric properties.

Control variables. To factor out the effects of other, potentially intervening variables, we included several controls derived from prior research. In particular, we controlled for customers' price knowledge (Lichtenstein, Ridgway, and Netemeyer 1993) and perceived firm fairness (Bolton, Keh, and Alba 2010).

Results

Analytical approach. We specified the structural equation path model as displayed in Figure 1. The model comprises the hypothesized paths from firm CSR engagement to customers' perceived price fairness through customers' perceived level of firm CSR costs, perceived CSR benefit, and perceived CSR price markup. Moreover, we included the moderating effect of the type of firm CSR engagement on the effect of firm CSR engagement on perceived level of firm CSR costs and the moderating effects of promotional CSR cost type perception. To incorporate the experimental treatments into the model, we coded three binary dummy variables (Bagozzi and Yi 1989). These dummy variables represent the three treatments: (1) firm CSR engagement (with high engagement coded as 1), (2) intrinsic (vs. extrinsic) CSR attribution (with intrinsic motive coded as 1), and (3) type of firm CSR engagement (with philanthropic CSR engagement coded as 1). As a first step, we verified that all manipulations worked as intended. The Web Appendix presents details on the manipulation checks. We estimated the proposed models with Mplus 7 (Muthén and Muthén 2010).

Hypothesis tests. The model fits the data well (comparative fit index = .95; Tucker–Lewis index = .95; root mean square error of approximation = .03; standardized root mean square residual = .04). In summary, the model estimation corroborates our predictions (Table 4 depicts the results of the model estimation). In H_3, we predicted a positive indirect effect of firm CSR engagement on customers' perceived CSR benefits through perceived firm CSR level. For the estimation of the mediation models, we followed Preacher and Hayes's (2008) recommendations and estimated the indirect effects and the direct effect simultaneously. The indirect effect of firm CSR engagement on perceived CSR benefits is positive and significant, lending support to H_3 ($\beta_{indirect} = .12$, $p < .01$). In H_4, we predicted a positive indirect effect of firm CSR engagement on customers' perceived CSR price markup through perceived firm CSR level. The indirect effect of firm CSR engagement on perceived CSR price markup is positive and significant, lending support to H_4 ($\beta_{indirect} = .09$, $p < .01$). Furthermore, H_5 suggested that the positive effect of firm CSR engagement on perceived level of firm CSR costs is more pronounced for philanthropic engagement than for business-process CSR engagement (with philanthropic engagement coded as 1), which is confirmed ($\beta = .17$, $p < .01$). However, although H_5 is supported, for low firm CSR engagement, the mean level of perceived CSR costs is lower for philanthropic than for business-process CSR. We discuss this result as an avenue for further research in the "General Discussion" section.

Finally, in H_6 we proposed that the more customers view firms' CSR costs as promotion costs, the stronger (weaker) the negative (positive) indirect effect of firm CSR engagement on perceived price fairness. To test this hypothesis, we calculated the respective indirect effects for low and high levels of promotional CSR cost type perception using the resulting coefficients from the model estimation (see Preacher and Hayes 2008). As we expected, for high

TABLE 4
Study 3: Estimated Path Coefficients

Path	Hypothesis	Estimated Coefficient
Main Effects of CSR Engagement		
Firm CSR engagement → Perceived level of firm CSR costs		.30**
Firm CSR engagement → Perceived price fairness		.02n.s.
Extra-Charge Path		
Perceived level of firm CSR costs → Perceived CSR price markup		.31**
Perceived CSR price markup → Perceived price fairness		−.08*
Warm-Glow Path		
Perceived level of firm CSR costs → Perceived CSR benefit		.41**
Perceived CSR benefit → Perceived price fairness		.17**
Main Effects of Moderators		
Intrinsic CSR attribution → Promotional CSR cost type perception		−.09*
Philanthropic CSR engagement → Perceived level of firm CSR costs		−.10*
Promotional CSR cost type perception → Perceived price fairness		−.10**
Promotional CSR cost type perception → Perceived CSR price markup		.17**
Interaction Effects		
Firm CSR engagement × Philanthropic CSR engagement → Perceived level of firm CSR costs	H_5: +	.17**
Promotional CSR cost type perception × Perceived level of firm CSR costs → Perceived CSR price markup		.10*
Promotional CSR cost type perception × Perceived CSR benefit → Perceived price fairness		−.12**
Controlled Effects		
Customer price knowledge → Perceived price fairness		−.28**
General firm fairness image → Perceived price fairness		.49**
Intrinsic CSR attribution → Perceived price fairness		.06*
Philanthropic CSR engagement → Perceived price fairness		−.02n.s.
Firm CSR engagement → Perceived CSR benefit		.01n.s.
Intrinsic CSR attribution → Perceived CSR benefit		.10**
Firm CSR engagement → Perceived CSR price markup		.09**
Intrinsic CSR attribution → Perceived CSR price markup		−.02n.s.
Perceived price fairness → Customer loyalty		.40**
Perceived CSR benefit → Customer loyalty		.42**
Indirect Effects		
Firm CSR engagement → Perceived level of firm CSR costs → Perceived CSR benefit	H_3: +	.12**
Firm CSR engagement → Perceived level of firm CSR costs → Perceived CSR price markup	H_4: +	.09**
Level of Promotional Cost Type Perception: Low		
Firm CSR engagement → Perceived level of firm CSR costs → Perceived CSR benefit → Perceived price fairness	H_6: +	.03**
Firm CSR engagement → Perceived level of firm CSR costs → Perceived CSR price markup → Perceived price fairness		.00n.s.
Level of Promotional Cost Type Perception: High		
Firm CSR engagement → Perceived level of firm CSR costs → Perceived CSR benefit → Perceived price fairness		.01n.s.
Firm CSR engagement → Perceived level of firm CSR costs → perceived CSR price markup → Perceived price fairness	H_6: −	−.01*

*$p < .05$ (two-tailed).
**$p < .01$ (two-tailed);
n.s.Not significant ($p > .05$).
Notes: Two-tailed tests of significance. We report standardized coefficients.

perception levels of promotional cost type, the negative indirect effect of firm CSR engagement on perceived price fairness is significant ($\beta = -.01, p < .05$), whereas the positive indirect effect is insignificant ($\beta = .01, p > .05$). Conversely, for low perception levels of promotional cost type, the positive indirect effect is significant ($\beta = .03, p < .01$), whereas the negative indirect effect of firm CSR engagement on perceived price fairness is insignificant ($\beta = -.005, p > .05$). This result confirms H_6. Notably, the direct effect of firm CSR engagement on perceived price fairness is not significant ($\beta = .02, p > .05$), indicating that the proposed inferential mechanisms fully mediate this relationship, thus providing additional support for our conceptual framework. Moreover, as we expected, perceived price fairness increases customers' loyalty intentions ($\beta = .40, p < .01$).

Discussion of Study 3

In Study 3, we explored the role of firms' CSR cost level and cost type as inferred by the customer and thus clarified the psychological mechanisms that underlie the firm CSR engagement–perceived price fairness linkage. Study 3's results are fully consistent with Study 2's findings and highlight the notion that customers' inferences of firms' CSR costs play a key role in understanding the mixed and contingent effects of firm CSR engagement on perceived price fairness, as suggested by Kirmani and Rao's (2000) cost-signaling framework. Identifying firms' CSR costs as a key mediator in our conceptual framework, we find that a firm's CSR engagement increases customers' inference of the level of firms' CSR costs, which in turn enhances both customers' perceived CSR benefit and their perceived CSR price markup (H_3 and H_4).

Moreover, we isolate the type of firm CSR cost (i.e., the extent to which CSR expenses are perceived as promotional) as the decisive inference underlying the moderating influence of intrinsic attributions on the firm CSR engagement–perceived price fairness linkage. We find that if customers perceive firm CSR costs as promotional, the negative indirect effect of firm CSR engagement on perceived price fairness prevails over the positive effect, with the positive exceeding the negative indirect effect if firm CSR expenses are not perceived as promotional costs (H_6). We acknowledge the limitation that, in practice, the causality between intrinsic CSR attribution and perception of promotional CSR cost type may be bidirectional: although our experimental design supports the conclusion that extrinsic CSR attribution causally increases promotional CSR cost type perception, it may well be that framing CSR costs as investments into promotion also causally increases extrinsic attribution. Finally, regarding the influence of philanthropic versus business-process CSR (H_5), we confirm our prediction that the effect of firm CSR engagement on perceived level of firm CSR cost is enhanced for philanthropic CSR.

Study 4: Remedy Strategies to Alleviate Negative Effects of CSR on Price Fairness

In the previous studies, we showed that customers who do not attribute a firm's CSR engagement to intrinsic motives evaluate the firm's prices as less fair. This finding has momentous implications for practice because customers frequently attribute CSR engagement to extrinsic motives and are reluctant to change this attribution (Skarmeas and Leonidou 2013). Therefore, a crucial question for managers is how to prevent negative effects of CSR engagement on customers' perceived price fairness despite customers' extrinsic attribution. To answer this question, in Study 4 we conceptualize and test corresponding remedy strategies.

Development of a conceptual basis for these strategies depends on understanding what exactly these strategies should remedy. In Studies 2 and 3, we showed that the major reason for the decline of customers' perceived price fairness is that customers assume that firms pass on their costs of extrinsically motivated CSR engagement through price markups. Thus, two viable remedies may be to (1) alleviate the positive association between CSR engagement and customers' inferences of price markups and (2) alleviate the negative association between perceived price markups and perceived price fairness.

Building on diagnosticity theory (Feldman and Lynch 1988) and the dual entitlement principle (Kahneman, Knetsch, and Thaler 1986), we argue that managers can pursue both remedies 1 and 2 by communicating the sources of the budget for extrinsically motivated CSR engagement. More specifically, firms may finance their CSR engagement from two generic sources: they may reduce other costs (e.g., advertising costs, executive salaries) to fund CSR engagement or devote a portion of their given profit to CSR engagement. In this section, we explain in detail how communicating these sources of the CSR engagement budget may alleviate negative effects of extrinsically perceived CSR engagement on perceived price fairness. First, diagnosticity theory offers a suitable conceptual frame for convincing customers that CSR activities are financed through measures other than price markups (i.e., remedy 1). Diagnosticity theory posits that to make inferences, people rely on the most useful cues available and refrain from using other, less useful cues (e.g., Feldman and Lynch 1988; Skowronski and Carlston 1987). Thus, when customers form a judgment of how a firm pays for its CSR engagement, they rely on cues that reveal the source of the CSR budget. If a useful cue suggests that CSR engagement is paid for by means other than price markups, customers should be less likely to infer such markups. Building on this idea, if firms communicate that they finance CSR engagement from the reduction of other costs or from the firm's profit, customers may be less likely to infer a price markup and perceive lower price fairness (e.g., Feldman and Lynch 1988).

Second, the dual entitlement principle proposes that even if customers infer price markups from CSR engagement, these inferences do not necessarily impair perceived price fairness (i.e., remedy 2). More specifically, the dual entitlement principle posits that in customers' view, companies are entitled to a reference profit and customers are entitled to a reference price (Kahneman, Knetsch, and Thaler 1986). As a result, customers are more likely to judge a price increase as fair if a firm faces rising costs or decreasing profits (e.g., Kahneman, Knetsch, and Thaler 1986).

Drawing on the dual entitlement principle, we expect that communicating that a firm's CSR engagement is financed from the reduction of other costs or from the firm's profit alleviates the negative effect of perceived CSR price markup on perceived price fairness. To elaborate, if a firm communicates that its CSR engagement is financed from existing cost budgets, this information may raise customers' awareness of the costs associated with a firm's social activities. Similarly, if a firm communicates that its CSR engagement is financed from its profit, customers may acknowledge that CSR engagement negatively affects a firm's bottom line. As a result of both communication strategies, customers may be more likely to grant a firm the right to mark up its prices, alleviating the negative effect of perceived CSR price markup on perceived price fairness (Kahneman, Knetsch, and Thaler 1986). In essence, we argue the following:

H_7: Signaling (vs. not signaling) the funding source for an extrinsically attributed CSR engagement increases customers' perceived price fairness.

Method

Stimuli and experimental design. To test H_7, we devised a scenario experiment in which we simulated the purchase of a pair of jeans from a clothing store engaging in CSR activities. Our basic approach is to compare perceived price fairness for a firm's (1) extrinsically perceived CSR engagement with a remedy strategy with (2) extrinsically perceived CSR engagement without a remedy strategy. The design included six experimental groups. We created three experimental treatments communicating the budget source of extrinsically motivated CSR engagement: advertising budget (i.e., the reduction of other costs), executive salaries (i.e., the reduction of other costs), and profit. To evaluate the effectiveness of these treatments, we created three control groups: (1) extrinsically motivated CSR engagement without a remedy strategy—that is, without an indication of the budget source ("no remedy" condition), (2) extrinsically motivated CSR engagement with the information that the CSR engagement is not financed through a price markup ("no price markup" condition), and (3) intrinsically motivated CSR engagement ("intrinsic attribution" condition). We randomly assigned 245 customers acquired through an online consumer panel to these six conditions (67% female; mean age = 42 years).

Procedure. We instructed participants to imagine that they intended to purchase a pair of jeans from the brand YourStyle and therefore visited a store of the brand. We then provided the information that YourStyle engaged in social responsibility activities. Subsequently, we manipulated customers' CSR attribution. In the intrinsic attribution condition, we communicated that YourStyle engaged in CSR out of a genuine interest in societal welfare, whereas in all other treatments, we communicated that YourStyle engaged in CSR to improve its profit and image (Barone et al. 2000). We then provided information on the source of the CSR budget. Finally, we told participants to imagine that during their store visit they found a pair of jeans that suited their needs, priced at €89.99.

Measures. We surveyed participants' loyalty intentions and perceived price fairness of the pair of jeans using the same operationalization as in Study 3. Both scales achieved very good reliability ($\alpha_{\text{loyalty}} = .93$, $\alpha_{\text{fairness}} = .96$).

Results and Discussion

Hypothesis tests. All manipulations worked as intended. The Web Appendix provides details on the manipulation checks. Using ANOVAs, we tested our hypotheses by analyzing differences in participants' evaluation of perceived price fairness across the treatment and control conditions. Figure 2 shows the mean values and ANOVA results.

H_7 proposed that signaling (vs. not signaling) the funding source for an extrinsically attributed CSR engagement increases customers' perceived price fairness. This proposition holds for all treatment conditions: participants evaluated perceived price fairness as significantly higher in each treatment condition than in the no remedy condition ($p < .05$), and they did not perceive a significant difference in price fairness between the treatment conditions and either the no price markup ($p > .50$) and the intrinsic attribution ($p > .40$) condition. Thus, H_7 is supported. Finally, the correlation between perceived price fairness and loyalty intentions is positive and highly significant ($r = .54$, $p < .001$), showing that, in line with our conceptual framework (see Figure 2), perceived price fairness is associated with customer loyalty.

In essence, Study 4 demonstrates that firms may take measures to alleviate the negative effects of extrinsically attributed CSR engagement on perceived price fairness. By communicating that the budget for their CSR engagement stems either from cost reductions (i.e., from their advertising budget or from a reduction of executive salaries) or from firm profit, firms are able to generate price fairness evaluations comparable to those for intrinsically attributed CSR engagement.

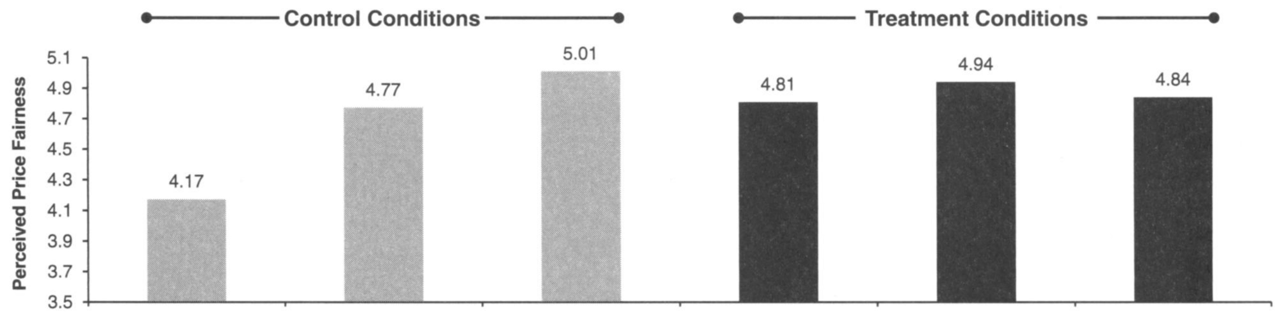
General Discussion

Research Issues

Prior research on the outcomes of CSR engagement has predominantly focused on customer benefits while neglecting to consider that firms' social activities might trigger price markup inferences. Consequently, prior marketing research cannot fully explain the firm CSR engagement–perceived price fairness relationship, because customers evaluate price fairness on the basis of both perceived benefits and costs (Xia, Monroe, and Cox 2004).

Our study resolves the conceptual ambiguity relating to the firm CSR engagement–perceived price fairness relationship by showing that firms' social activities have mixed effects on perceived price fairness. Firm CSR engagement increases perceived price fairness for high levels of customers' intrinsic CSR attribution through a perceived CSR benefit but reduces perceived price fairness for low levels of intrinsic CSR attribution through a perceived CSR price markup. Drawing on work on cost signals in marketing (Kirmani and Rao 2000), we account for these findings in terms of customers perceptions of level and type of firm CSR

FIGURE 2
Results of Study 4



Condition	No Remedy	No Price Markup	Intrinsic Attribution	Advertising Budget	Executive Salaries	Profit
Role	Control	Control	Control	Treatment	Treatment	Treatment
CSR attribution	Extrinsic	Extrinsic	Intrinsic	Extrinsic	Extrinsic	Extrinsic
Source of CSR budget	Not indicated	No price markup	Not indicated	Advertising budget	Reduction of executive salaries	Profit
Δ to "no remedy"	—	F(1, 60) = 4.01 $p = .05$	F(1, 74) = 7.52 $p < .01$	F(1, 74) = 4.14 $p < .05$	F(1, 69) = 6.56 $p < .05$	F(1, 74) = 5.00 $p < .05$
Δ to "no price markup"	—	—	F(1, 78) = .63 $p > .40$	F(1, 78) = .01 $p > .90$	F(1, 73) = .32 $p > .57$	F(1, 78) = .05 $p > .81$
Δ to "intrinsic attribution"	—	—	—	F(1, 92) = .48 $p > .48$	F(1, 87) = .06 $p > .80$	F(1, 92) = .37 $p > .54$
					H_7: ✓	

costs. Our findings have three key contributions for marketing research.

First, lending support to recent works that criticized the lack of understanding of the psychological mechanisms that underlie customers' responses to CSR engagement (Aguinis and Glavas 2012), our study indicates that prior CSR research has neglected to address the inherent complexity of customers' perception of companies' CSR engagement. Our results point to an important oversight that pertains to potential detrimental effects of CSR engagement. Although customers benefit from a warm glow of helping others (e.g., Koschate-Fischer, Stefan, and Hoyer 2012), they are also aware of the high costs of CSR activities and critically deliberate potential price markups that result from these elevated costs. Thus, customer perceptions of CSR engagement can be thought of as two sides of a coin, with the benefit of a "warm glow" on one side and the "cold prickle" of costs on the reverse side.

Second, prior research has held conflicting views on the influence of firm costs on customer perceptions. For example, whereas cost-signaling approaches (Kirmani and Rao 2000) have posited a momentous impact of firms' costs on customers' perceptions and behavior (see also Kahneman, Knetsch, and Thaler 1986), other studies have concluded that "consumers appear to have a poor appreciation of the costs faced by firms" (Bolton, Warlop, and Alba 2003, p. 475; see also Guo 2015). Our findings clearly support the former view by underlining the critical role of customers' cost perceptions in the CSR domain. The elevated apprehension of firms' CSR costs may result from an enhanced focus on firms' social activities owing to rising levels of customer skepticism of CSR (Skarmeas and Leonidou 2013). However, because heightened levels of customer skepticism and knowledge are not restricted to the CSR domain, we suggest that customers may focus more on firm costs in general. This development implies that cost-signaling approaches (e.g., Kirmani and Rao 2000) should receive more attention in marketing research on consumer behavior. Our results illustrate that the perceived level and type of firm CSR costs as cost signals constitute viable explanations for the inferential mechanisms that underlie the firm CSR engagement–perceived price fairness relationship.

Furthermore, in line with our prediction in H_5, we find that the effect of firm CSR engagement on perceived level of firm CSR cost is stronger for philanthropic than for business-process CSR. However, for low levels of firm CSR engagement, customers seem to associate higher levels of firm CSR costs with business-process CSR engagement ($\beta = -.10$, $p < .05$; see Table 4). This finding discloses fruitful avenues for further research to explore customers' CSR cost perceptions for various CSR types. For example, future studies may verify whether customers make cost inferences of CSR types heuristically (i.e., on the basis of mental accessibility; Feldman and Lynch 1988) or systematically (i.e., on the basis of mental calculations).

Third, a key finding of our study pertains to the negative effect of CSR engagement on perceived price fairness through perceived CSR price markup in the case of low intrinsic (or extrinsic) attributions. We devise and verify CSR communication strategies to remedy the potential negative effect of firms' social engagement on price fairness. Importantly, we intend the remedy strategies to prevent customers from inferring CSR price markups by guiding customers' perceptions of firms' CSR costs.

A limitation of Study 4 is that we do not answer which actions firms can take to change customers' attributions from extrinsic to intrinsic, although knowledge of such actions would be highly desirable from a managerial perspective (e.g., Du, Bhattacharya, and Sen 2010; Vlachos et al. 2009; Yoon, Gürhan-Canli, and Schwarz 2006). Thus, examining ways to change customers' CSR attributions provides a worthwhile direction for further research that could potentially leverage existing insights from attribution theory and the schemer schema (Wright 1986).

Managerial Implications

Prior research has somewhat misled CSR managers in that numerous studies have established a variety of positive outcomes of CSR engagement, such as an improvement of corporate reputation, customer loyalty, and customer WTP. However, our studies show that CSR is not a universal remedy to improve customer attitudes. We provide evidence that CSR engagement potentially reaches its limit as soon as customers evaluate a company's price fairness. To optimally manage both CSR communication and a company's pricing, managers need to be aware of the underlying mechanisms. Our studies provide two core recommendations.

First, managers need to understand that customers regard a company's CSR investment as both beneficial and costly, causing mixed effects of CSR activities on price fairness. These results suggest that managers should frame the benefit–cost ratio of their CSR activities in a positive light by fostering customers' benefit perceptions while toning down cost perceptions.

Second, managers need to bear in mind that customers' attributions of the company's CSR motives play a crucial role in price fairness evaluations. Engaging in CSR increases perceived price fairness only if customers view the engagement as intrinsically motivated. Thus, managers should ensure that customers perceive a company's motives to engage in CSR actions in a positive light. This is a challenging task, because simply framing motives as intrinsic may actually arouse customers' suspicion (Ellen, Webb, and Mohr 2006). Therefore, managers' best option may be to communicate CSR engagement in an authentic and honest way. They should also pretest CSR communication to examine how it affects inferences regarding motives in the marketplace. In this respect, Study 4 provides actionable advice for managers seeking effective communication strategies to publicize their CSR spending and prevent backlash effects in the case of extrinsic attribution. More specifically, making explicit statements that a firm's CSR spending is extracted from top management salaries, advertising budgets, or company profits constitutes a viable remedy strategy to counter potentially harmful effects on price fairness.

APPENDIX
Measurement Scales

Construct	Definition	Measurement Items	Source
Firm CSR engagement (Studies 1 and 2)	Actions that appear to advance some social good, beyond the interests of the firm and beyond what is required by law	[COMPANY NAME]... 1. ...values ecological sustainability. 2. ...acts in a responsible way regarding the environment. 3. ...donates parts of its earnings to charity on a regular basis. 4. ...donates money for people in need. 5. ...treats employees in a socially responsible way. 6. ...cares for their employees beyond the regulatory framework. 7. ...engages in local community support projects. 8. ...cares for the people in the communities in which it operates.	Lichtenstein, Drumwright, and Braig (2004); Luo and Bhattacharya (2006); McWilliams and Siegel (2001); Sen and Bhattacharya (2001);

APPENDIX
Continued

Construct	Definition	Measurement Items	Source
Perceived price fairness (Study 1) Perceived price fairness[a] (Studies 2, 3, and 4)	A customer's evaluation of a price as just	The prices that [COMPANY NAME] charges are fair. How do you evaluate [COMPANY NAME]'s prices?[d] 1. Unfair/fair 2. Not at all just/just 3. Unreasonable/reasonable 4. Inadequate/adequate[c]	Bolton, Keh, and Alba (2010); Campbell (2007); Martin, Ponder, and Lueg (2009)
Perceived CSR benefit (Studies 2 and 3)	A customer's perception of receiving additional value when purchasing products as a result of a company's CSR engagement	1. I derive benefit from supporting good causes by purchasing [COMPANY NAME] products. 2. After purchasing at [COMPANY NAME] I am satisfied as my money helps support a good cause. 3. I like that [COMPANY NAME] uses my money to support a good cause.	Andrews et al. (2014)
Perceived CSR price markup (Studies 2 and 3)	A customer's perception of elevated product prices as a result of a company's CSR investments	1. I believe [COMPANY NAME]'s prices include a markup for the company's support of good causes. 2. I think [COMPANY NAME] has priced its corporate social responsibility activities into its products. 3. I think [COMPANY NAME] could reduce its prices if it didn't engage as much in corporate social responsibility.	Own operationalization
Intrinsic CSR attribution (Studies 2, 3, and 4)	A customer's perception that a company engages in CSR out of genuine concern	1. [COMPANY NAME] engages in charitable projects because it is genuinely concerned about being socially responsible. 2. I think that [COMPANY NAME] engages in its social projects due to altruistic motives.[c] 3. I think [COMPANY NAME]'s social engagement results from an honest wish to do good.[c]	Du, Bhattacharya, and Sen (2007)
Customer loyalty (Studies 1, 3, and 4)	A customer's commitment to repurchase from or repatronize a vendor in the future	It is very likely that I would… 1. …purchase from [COMPANY NAME] in the future. 2. …recommend [COMPANY NAME] to friends. 3. …remain a customer if [COMPANY NAME] increased its prices.	Homburg, Wieseke, and Hoyer (2009)
Customer loyalty (Study 2)		1. How likely is it that you will patronize [COMPANY NAME] again in the future?[b] 2. How likely is it that you will recommend [COMPANY NAME] to a friend?[b] 3. I can say only positive things about [COMPANY NAME].	

APPENDIX
Continued

Construct	Definition	Measurement Items	Source
Attitude toward CSR (Study 2)	A customer's normative endorsement for firms' social activities	Companies should… 1. …act in a responsible way regarding the environment. 2. …value ecological sustainability. 3. …regularly donate parts of their earnings for charity. 4. …donate products for people in need. 5. …treat their employees in a socially responsible way. 6. …care for their employees beyond the regulatory framework. 7. …engage in local community support projects in the communities in which they operate. 8. ... are for the people in the communities in which they operate.	Lichtenstein, Drumwright, and Braig (2004); Mohr and Webb (2005)
Perceived price–value ratio[a] (Study 2)	A customer's perception of the degree to which a company's product performance and product prices are in balance	Products of [COMPANY NAME]… 1. …have a very poor price–value ratio/have a very high price–value ratio. 2. …do not offer value for money/offer value for money. 3. …are not good products for their prices/are good products for their prices.	Sweeney and Soutar (2001)
Perceived quality[a] (Study 2)	A customer's perception of the degree of a company's product performance	Products of [COMPANY NAME]… 1. …have very poor quality/ have very high quality. 2. … are inferior/are superior. 3. …are poorly made/are well made.	Sweeney and Soutar (2001)
Perceived price sacrifice (Study 2)	A customer's perception of a company's price level	1. [COMPANY NAME] has very high prices. 2. Products of [COMPANY NAME] are very expensive.	Bornemann and Homburg (2011)
Willingness to pay more [Study 2]	A customer's willingness to remain a customer of a company in the event of an increase of the company's price level relative to other companies	1. I am willing to pay a higher price at [COMPANY NAME] than at its competitors. 2. I would like to keep buying at [COMPANY NAME], even if other companies were cheaper. 3. For the advantages I have as a customer of [COMPANY NAME] I would be willing to pay a higher price.	Zeithaml, Berry, and Parasuraman (1996)

APPENDIX
Continued

Construct	Definition	Measurement Items	Source
Perceived level of firm CSR costs (Study 3)	A customer's subjective perception of the amount of money that a firm invests in social activities	1. PowerMart bears considerable costs for its social activities. 2. The amount of money that PowerMart invests in its social projects is very large. 3. PowertMart incurs very high costs for its social engagement.	Kirmani (1990, 1997)
Promotional CSR cost type perception (Study 3)	The extent to which a customer perceives a firm's CSR spending as self-serving to promote its image	1. I regard PowerMart's costs for its social activities as costs to improve its image. 2. I regard PowerMart's costs for its social activities as costs to improve its public reputation. 3. I regard PowerMart's costs for its social activities as costs to improve its standing.	Kirmani (1990, 1997)
General fairness image (Study 3)	A customer's perception of a firm's general disposition toward achieving equitable exchange relationships with its stakeholders	1. PowerMart is a just company. 2. PowerMart treats its customers in fair way. 3. PowerMart appears just to me.	Bolton, Keh, and Alba (2010)
Customer price knowledge (reverse coded; Study 3)	The extent to which a customer is familiar with regular price levels for a specific product	1. I am not familiar with regular price levels for external hard drives. 2. I do not know what one usually has to pay for an external hard drive. 3. I do not know what an adequate price level for an external hard drive would be.	Lichtenstein, Ridgway, and Netemeyer (1993)
Firm CSR engagement (manipulation check; Study 3)	A customer's perception whether a firm adheres to high standards of social and ethical obligations	1. PowerMart is a company that acts socially responsible. 2. PowerMart cares for the well-being of society. 3. PowerMart holds high ethical standards.	Du, Bhattacharya, and Sen (2007)
CSR type[a] (manipulation check; Study 3)	Focus of a firm's CSR on either business-process or philanthropic CSR	1. The social engagement of PowerMart focuses on the sustainability of its processes/ helping people in need.	Own operationalization
CSR budget source (manipulation check; Study 4)	A customer's perception of where the funding of CSR engagement originates	YourStyle's expenses for CSR engagement… 1. …pay for themselves through additional revenue. 2. …are financed from YourStyles's advertising budget. 3. …are financed by reducing executive salaries. 4. …are financed from YourStyle's profit.	Own operationalization

[a]Measured on a seven-point differential scale.
[b]Measured on a seven-point scale anchored by "very unlikely" and "very likely."
[c]We added this item in Studies 3 and 4.
[d]In Studies 3 and 4, a specific price was provided (see study description).
Notes: All items are measured on seven-point Likert scales anchored by "fully disagree" and "fully agree" unless indicated otherwise.

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