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## Article

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## Article

# The CSR Spillover Effect on Consumer Responses to Advertised Reference Price Promotion

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**Abstract:** This paper highlights the moderating effect of retailer CSR perception and CSR contribution type on the relationship between advertised reference price (ARP) and consumer evaluations. A two-by-three between-subjects factorial design is employed with the manipulation of ARP and CSR contribution type for hypothesis testing. Experimental results show that internal reference price, value of the deal, attitude towards the deal and purchase intention are higher for the exaggerated ARP than for the plausible ARP in the high CSR perception condition. Similar effects also occur when the retailer CSR contribution type is present in the reference price advertisement. Specifically, in-kind contribution exerts larger effects than money. This study contributes to a better understanding and crafting of integrative ARP and CSR strategies to influence consumers' price perceptions, evaluations and intentions.

**Keywords:** advertised reference price; corporate social responsibility; construal level; contribution type



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## 1. Introduction

The advertised reference price (ARP) is a powerful price-based sales promotional strategy, widely practiced in retail environment. The strategy often involves a higher price mentioned in an advertising offer to the consumer along with a sale price of the promotional offers (e.g., regular price \$39.99, sale price \$29.99). The higher price mentioned in the advertisement is termed an ARP. The implication is that some consumers, who are relatively unknowledgeable of a product's price or value, may use the relatively higher advertised price as a reference for assessing the accompanying sale price. The result of this price comparison makes the sale price more appealing and acceptable. Previous research has consistently found that ARP can substantially and positively affect consumer price estimates, value perception, and behavioral intentions (e.g., Bearden et al. 1984; Monroe 1990; Biswas and Blair 1991; Grewal et al. 1996; Chandrashekar 2001; Chandrashekar and Grewal 2003; Lii and Tseng 2005; Mazumdar et al. 2005; Grewal and Compeau 2007; Krishnan et al. 2013; Kan et al. 2014; Sinha and Adhikari 2017).

While the effectiveness of ARP promotion is well documented, research has also indicated that the effect of ARP on price perceptions and behavioral intentions may not be independent of the context in which consumers are exposed to the effect (Grewal et al. 1996; Lii and Tseng 2005). One such context is a retailer's reputation for corporate social responsibility (CSR) (Carvalho et al. 2010; Kim et al. 2019). The United Nations Industrial Development Organization (UNIDO) defines CSR as "a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders." How does the context of CSR affect the consumer's evaluation of an offer including ARP? A retailer's CSR can have a halo effect on the consumer's perception, as consumers generalize by unconsciously applying an initial judgment about the retailer's CSR to beliefs about the price promotion of the retailer as a whole. Studies have shown that consumers' perception of a company's CSR is positively

related to their perception of price fairness (Carvalho et al. 2010), company evaluation (Hildebrand et al. 2017; Kim et al. 2019), and purchase decision (Lii and Lee 2012; Dutta and Singh 2013; Kim et al. 2019). Hence, CSR perception acts as a signal to trust the company (Pivato et al. 2008); that trust might also be transferred into the price perception process, leading to more favorable ARP and deal evaluations.

Can retailers' CSR strategies influence consumers' decision-making processes? Is there an interaction between ARP and CSR on consumer evaluations? To answer these questions, this paper aims to highlight the spillover effect of consumers' perceptions of a retailer's CSR and how these perceptions might affect their responses to ARP promotion in a retail venue. As far as we know, there has been no study on this issue. If consumer evaluations can be favorably influenced by priming CSR practices in a retailer's ARP promotion, then retailers should consider incorporating their CSR message into price promotion strategies. This research contributes to the literature on ARPs by recognizing the contingent effect of CSR on consumer evaluations of an ARP offer. Furthermore, this study contributes to a better understanding and crafting of an integrative ARP and CSR strategies to influence consumers' price perceptions, evaluations and intentions.

This article discusses the literature on ARP effects and spillover effect of CSR; then, the hypotheses are presented. The research method addresses the quantitative research that was performed to answer the research questions. The quantitative data from the experiments are presented in the Analysis and Results. Finally, the Discussion and Conclusions talk about the managerial implications of the research findings and the limitations of this research.

## 2. Literature Review and Hypotheses

Corporate social responsibility (CSR) initiatives have become increasingly popular among corporations. Not only consumers' responses, but also the company stakeholders' relationships are influenced by CSR initiatives. (Nadanyiova and Durana 2019; Nan and Heo 2007; Rozsa et al. 2021). The relationships of ARP effect and CSR are discussed in the following.

### 2.1. ARP Effect and Theoretical Foundations

As mentioned earlier, most research has found that the presence of ARP can substantially affect consumers' price perceptions and value judgments. Several different areas of psychological theories of consumer behavior have provided a wealth of behavioral foundations for examining the reference price effect. The two most widely used theories are adaptation-level theory (Helson 1964) and assimilation-contrast theory (Sherif and Hovland 1961). According to Helson (1964) and Monroe (1990), the incoming price message is perceived and compared to an adaptation-level or internal reference price that is formed by all the consumer's prior experiences of the brand's prices, prices of the brand's competitors, and the current context of comparison, such as ARP. For example, if consumers repeatedly pay nine dollars for a movie ticket in a local theater, they then become accustomed to this price. Therefore, the adaptation level or internal reference price for a movie ticket becomes nine dollars.

Assimilation-contrast theory (Sherif and Hovland 1961) proposes the existence of certain subjective price regions internal to consumer's price judgments, which include latitudes of acceptance, rejection, and noncommitment. When a price stimulus falls within the latitude of acceptance, the consumer will assimilate the new price message. The assimilation process shifts the consumer's existing reference price toward the new price stimulus. A price stimulus that falls within the latitude of rejection is hence contrasted or rejected. When the price stimulus falls in the consumer's latitude of noncommitment, the consumer perceives the price as neither acceptable nor unacceptable and, hence, this causes consumer anxiety (e.g., Burton et al. 1993; Suter and Burton 1996; Chandrashekar and Grewal 2003).

Prior research on the ARP effect has demonstrated that consumers are vulnerable to manipulation by the use of ARP (e.g., Urbany et al. 1988; Lichtenstein and Bearden

1989; Biswas and Blair 1991; Biswas et al. 1999; Krishnan et al. 2013). Specifically, many researchers have found that a deliberately inflated ARP (i.e., an ARP outside the expected price range) influences consumers' internal reference prices and subsequent value judgment and behavioral intentions. In addition, an exaggerated ARP produces significantly higher internal price estimates, which consumers use to judge the value of advertised offers (e.g., Urbany et al. 1988; Biswas and Blair 1991; Suter and Burton 1996; Biswas et al. 1999).

## 2.2. The Spillover Effect of CSR

CSR is for corporations, encouraging them not only to take actions to satisfy legal obligations but also to get involved in actions to meet social needs and benefit society at large scale (Angelidis and Ibrahim 1993). Lerner and Fryxell (1988) stated that CSR refers to the extent to which organizational actions should be consistent with societal values and expectations. Carroll and Buchholtz (1996) categorized CSR into activities that embrace the entire scope of business responsibilities, including economic, legal, ethical, and philanthropic responsibilities. A good CSR reputation will provide value to the corporation through positive consumer identification with the company, purchase intentions, and word-of-mouth (e.g., Pivato et al. 2008; Lii and Lee 2012; Dutta and Singh 2013; White et al. 2019).

While an exaggerated ARP has the potential to mislead consumers in their evaluation of a price promotional offer, as yet, it is not known whether its impact differs in conjunction with consumer perceptions of retailer CSR. In this study, consumer perceptions of retailer's CSR are assumed to moderate the relationship between the ARP and consumer evaluations. To illustrate this idea, Carvalho et al.'s (2010) study found that consumers' perceptions of a corporation's CSR are positively related to their perceptions of price fairness, and CSR knowledge is employed by consumers in the decision-making process. Moreover, findings from a Nielsen online survey (2012) of more than 28,000 respondents from 56 countries revealed that two-thirds (66%) of consumers around the world are willing to purchase products and services from companies that have launched programs to give back to society. Similarly, nearly half (46%) of global consumers are more likely to support these companies by paying more for their products and services.

Furthermore, Dutta and Singh (2013) found that a retailer's CSR program influences consumers' retailer evaluation and results in their willingness to purchase from the retailer. Chomvilailuk and Butcher's (2013) research also showed that the mention of new CSR initiatives in a bank's communication produces a positive effect on consumers' perceptions of the bank. Based on the research mentioned above, the following hypotheses are proposed.

**Hypothesis 1 (H1).** *Consumers' internal reference price will be higher when a sale price is accompanied by an exaggerated ARP than when it is accompanied by a plausible ARP. The effect will be stronger when evaluation occurs under a more positive CSR perception than a less positive CSR perception.*

**Hypothesis 2 (H2).** *Consumers' perceptions of value of the deal, attitude towards the deal, and purchase intention will be stronger when a sale price is accompanied by an exaggerated ARP than when it is accompanied by a plausible ARP. These effects will be stronger when evaluation occurs under a more positive CSR perception than a less positive CSR perception.*

## 2.3. CSR Contribution Type

There are many initiatives companies can choose to support CSR programs. Companies can decide on which issues to support (e.g., human, social, or environmental-related issues), how long for, how much to contribute, and in what form (e.g., money or in-kind). This research focuses on consumers' responses to two basic contribution types—money versus in-kind contributions. In monetary contributions, the company contributes value in the form of cash, whereas in in-kind contributions the company contributes value in the form of goods, services, or time.

Previous research has found that consumers react differently to these two types of CSR contributions (Ellen et al. 2000; Hamby 2016; Hildebrand et al. 2017; Zhu et al. 2017). For instance, in-kind contributions, such as voluntary labor, are likely to be seen by consumers as more effortful and/or emotional, leading to more favorable company evaluations than monetary contributions (Ellen et al. 2000; Liu and Aaker 2008; Zhu et al. 2017). Hildebrand et al. (2017), however, suggested that the evaluative advantage conferred by money or in-kind contributions is contingent upon the perceived controllability of CSR issues. In-kind contributions enhance consumers' evaluations when bundled with CSR issues that are perceived to be largely uncontrollable. On the contrary, when the CSR issues are perceived to be largely controllable, cash donations lead to a more favorable attitude towards the company.

In social psychology, scholars and marketers have adopted construal level theory (CLT) to explain how psychological distance affects consumers' thoughts and behavior when evaluating CSR contribution formats (Hamby 2016; Lii et al. 2013; Zhu et al. 2017). The term *construal*, derived from social psychology, refers to the process of people perceiving, comprehending, and interpreting the environment that unfolds around them (Ross 1987). CLT describes the relationship, either abstract or concrete, between psychological distance and people's thoughts. The theory explicates that consumers think more abstractly of objects in the distance while they think more concretely of objects that are closer to them.

Hamby (2016) showed that the construal level of donation format evokes different mindsets. For example, buy-one give-one (BOGO), which triggers the contribution of a physical entity (in-kind contribution), evokes a concrete mindset compared to a monetary donations. The concrete mindset evoked by BOGO promotions interact with other features of the promotion to influence consumer responses to the promotion, such as the nature of the promoted product category. BOGO promotions enhance consumer attitudes and strengthen purchase intentions when bundled with utilitarian products versus when the product is hedonic.

In light of these findings, it is reasonable to argue that, relative to cash donations, consumers might react more favorably to in-kind donations with utilitarian goods when the CSR issues are perceived to be uncontrollable, thereby increasing consumers' positive attitudes towards the ARP and possibly affecting deal evaluations and purchase intentions. In other words, in-kind contributions might produce a better CSR spillover effect than monetary contributions, which further justifies the ARP effect. As such, we propose:

**Hypothesis 3 (H3).** *Consumers' internal reference price will be higher when a sale price is accompanied by an exaggerated ARP than when it is accompanied by a plausible ARP. These effects will be stronger when the evaluation occurs under an in-kind contribution of utilitarian goods for an uncontrollable natural event than for a monetary contribution.*

**Hypothesis 4 (H4).** *Consumers' perception of the value of a deal, attitude towards a deal, and purchase intention will be stronger when an offer price is accompanied by an exaggerated ARP than when it is accompanied by a plausible ARP. These effects will be stronger when the evaluation occurs under an in-kind contribution of utilitarian goods for an uncontrollable natural event than for a monetary contribution.*

### 3. Method

#### 3.1. Study Design

This research adopted quantitative and experimental design in research method. A factorial design was performed to test the hypothesis. A two-by-three between-subjects experimental design was employed with the manipulation of ARP (plausible vs. exaggerated) and the retailer's CSR contribution (absence vs. money vs. in-kind) in the context of natural disaster relief (i.e., uncontrollable issue) to test H1 to H4. A pretest with a group of 41 MBA students from a university was conducted to determine the stimuli for this study (20 females and 21 males; average age of 40). Compared to traditional undergraduate



college students, [Jones and Sonner \(2001\)](#) indicated that older, non-traditional students may produce results that are quite similar to the results obtained from the general population. Therefore, MBA students are more appropriate as a study sample than traditional undergraduate college students.

Carrefour, a French multinational retailer, was selected from a list of three hypermarkets based on the pretest participants' degrees of familiarity with the store ( $M = 4.2$ ,  $t = 41.90$ ,  $p < 0.01$ ). The result was predictable, since Carrefour is an international hypermarket and can be found in many countries and cities. A fictional price-based promotional offer from the Carrefour ad was developed for the experiment. Similar to past research (e.g., [Biswas et al. 2006](#); [Krishnan et al. 2013](#)), a Blu-ray player was the chosen stimulus. The pretest subjects were familiar with the product ( $M = 4.05$ ,  $t = 47.53$ ,  $p < 0.01$ ). Of the three popular Blu-ray player brands in Taiwan, the Sony brand, with its high familiarity score mean value ( $M = 4.07$ ,  $t = 55.67$ ,  $p < 0.01$ ), was the brand choice for the experiment. The range of the scale of familiarity in pretest was a five-point scale (1 = not very familiar; 5 = very familiar).

The actual prices for the two ARP levels used in the experiment were determined during the pretest, following previous ARP research (e.g., [Krishnan et al. 2006](#)). The advertised sale price was set at \$106, which is consistent with the market price at the time the study was conducted. Given this sale price, subjects expected regular prices ranging from \$117 to \$183. The comparative original prices were set as either a plausible ARP (\$138), which is about 30% higher than the advertised sale price, or an exaggerated ARP (\$188), which is 86% higher than the advertised sale price.

Similar to previous research ([Hamby 2016](#); [Hildebrand et al. 2017](#)), the basic design of the fictitious CSR contribution features the retailer's enormous sympathy for the victims of a naturally occurring earthquake disaster in Taiwan's Hualien County. In the monetary contribution condition, the retailer was reported to have made one donation of \$16,666 to affected communities. In the in-kind contribution condition, the retailer was reported to provide food, medicines, and services with a total cost of \$16,666.

Previous research has shown that the perceived match between sponsoring firms and selected causes influences consumer perceptions of sponsoring firms ([Barone et al. 2007](#); [Nan and Heo 2007](#)). A two-item scale, anchored by the statements high fit/low fit and makes sense/does not make sense, was used to assess the perceived retailer's CSR initiative brand-cause fit ([Becker-Olsen and Hill 2006](#)). The result reveals that the subjects perceived a high level of retailer brand-cause fit ( $M = 4.08$ ,  $t = 37.8$ ,  $p < 0.01$ ;  $M = 4.1$ ,  $t = 41.8$ ,  $p < 0.01$ , respectively). Adapted from [Hildebrand et al. \(2017\)](#), the controllability of the natural disaster manipulation was also tested using a two-item scale (five-point scale; 1 = strongly disagree, 5 = strongly agree) with the statements "The disaster is preventable" and "Someone has the capability to stop the disaster from occurring." The result reveals the uncontrollability of the naturally occurring earthquake disaster ( $M = 4.16$ ,  $t = 89.9$ ,  $p < 0.01$ ). Based on the pretest results, a survey-based experiment was designed, with six scenarios to test the proposed hypotheses.

### 3.2. Sample and Procedure

The main study recruited 205 MBA students in the same university as the participants (85 females and 120 males, mean of age is 42). Depending on the treatment group to which the participants were assigned, they were first asked to respond to questions pertaining to their product familiarity of the Sony Blu-ray player, shopping experiences of the retailer, as well as their perception of the retailer CSR. Each subject was then asked to examine an advertisement containing the descriptive material, level of ARP, the advertised sale price of the product, and the information about the retailer's CSR contribution (absence vs. money vs. in-kind) to the naturally occurring earthquake disaster. After viewing the advertisement, subjects responded to questions used to measure internal reference prices, value of the deal, attitude towards the deal, and purchase intention. Participants that failed the attention-check questions and/or skipped the questions were excluded from the results.

A valid survey of 182 responses (73 females and 109 males with a mean age of 42 was used for the following data analysis). There were from 28 to 34 participants in each experimental condition.

### 3.3. Measurement and Scale Validation

The questions used for the measurement of the variables in the experiment were based on the literature and were modified to better fit the context of this research. Appendix A presents the scales used to measure internal reference price, value of the deal, attitude towards the deal, purchase intentions, and CSR perception, along with the reliability measures. Cronbach's alpha was employed to assess the reliability of measurement items. The values range from 0.94 to 0.95, which exceeds the recommended value of 0.7 (Nunnally 1978). The retailer CSR perception was classified into low CSR and high CSR perceptions on the basis of the median split of the CSR perception score (Median = 3.69), which is a common method for dichotomization in the literature (De Matos et al. 2009; Bell and Luddington 2006; Voorhees and Brady 2005).

## 4. Analysis and Results

The same scales used in the pretest to decide the product/brand/retailer familiarity, retailer's brand-cause fit, and controllability of the naturally occurring earthquake disaster were used to determine whether the stimuli worked as intended. The subjects were familiar with the product ( $M = 3.97$ ,  $t = 76.52$ ,  $p < 0.01$ ), the brand ( $M = 4.06$ ,  $t = 92.22$ ,  $p < 0.01$ ), and the retailer ( $M = 4.02$ ,  $t = 103.03$ ,  $p < 0.01$ ). The results also show that the subjects perceived a high brand-cause fit ( $M = 3.99$ ,  $t = 78.21$ ,  $p < 0.01$ ) and uncontrollability of the disaster ( $M = 4.21$ ,  $t = 91.92$ ,  $p < 0.01$ ).

H1 and H2 were tested by conducting a MANOVA with ARP and CSR perception as the main and interaction factors, respectively, followed by specific mean comparisons. The results show that the main effects of ARP (Wilks'  $\lambda = 0.44$ ,  $F = 55.25$ ,  $p < 0.01$ , partial  $\eta^2 = 0.56$ ) and CSR perception (Wilks'  $\lambda = 0.69$ ,  $F = 19.96$ ,  $p < 0.01$ , partial  $\eta^2 = 0.31$ ) were significant, as was the multivariate interaction effect (Wilks'  $\lambda = 0.90$ ,  $F = 4.73$ ,  $p < 0.01$ , partial  $\eta^2 = 0.1$ ). The univariate interaction effects for IRP ( $F = 6.51$ ,  $p < 0.05$ , partial  $\eta^2 = 0.04$ ), value of the deal ( $F = 17.26$ ,  $p < 0.01$ , partial  $\eta^2 = 0.09$ ), attitude towards the deal ( $F = 15.46$ ,  $p < 0.01$ , partial  $\eta^2 = 0.08$ ), and purchase intention ( $F = 16.10$ ,  $p < 0.01$ , partial  $\eta^2 = 0.08$ ) were all significant.

Further examination of the specific mean comparisons (Table 1) indicates that the internal reference price was higher for the exaggerated ARP (MLowCSR = 4686.21, MHighCSR = 5174.29) than for the plausible ARP (MLowCSR = 3997.87, MHighCSR = 4197.62) in the high CSR perception condition. The internal reference price had the highest mean for the exaggerated ARP when the CSR perception was in the high condition. Similarly, the value of the deal was higher for the exaggerated ARP (MLowCSR = 3.44, MHighCSR = 4.44) than for the plausible ARP (MLowCSR = 3.39, MHighCSR = 3.70) in the high CSR perception condition. The value of the deal had the highest mean for the exaggerated ARP when the CSR perception was in the high condition. Attitude towards the deal was higher for the exaggerated ARP (MLowCSR = 3.46, MHighCSR = 4.46) than for the plausible ARP (MLowCSR = 3.35, MHighCSR = 3.69) in the high CSR perception condition. Attitude towards the deal had the highest mean for the exaggerated ARP when the CSR perception was in the high condition. Finally, purchase intention was higher for the exaggerated ARP (MLowCSR = 3.45, MHighCSR = 4.38) than for the plausible ARP (MLowCSR = 3.38, MHighCSR = 3.64) in the high CSR perception condition. Purchase intention had the highest mean for the exaggerated ARP when the CSR perception was in the high condition. We plot the contrast of means in Appendix B for comparison. These results provide support for H1 and H2.

**Table 1.** Means of internal reference price, value of the deal, attitude towards the deal, and purchase intention.

ARP	High CSR Perception		Low CSR Perception	
	Plausible	Exaggerated	Plausible	Exaggerated
Internal reference price	4686.21	5174.29	3997.87	4197.62
Value of the deal	3.44	4.44	3.39	3.70
Attitude towards the deal	3.46	4.48	3.35	3.69
Purchase intention	3.45	4.41	3.38	3.64

H3 and H4 were also tested by conducting a MANOVA with ARP and CSR contribution type as the manipulated factor, followed by specific mean comparisons. The main effects of ARP (Wilks'  $\lambda = 0.44$ ,  $F = 54.40$ ,  $p < 0.01$ , partial  $\eta^2 = 0.56$ ) and CSR contribution type (Wilks'  $\lambda = 0.29$ ,  $F = 37.43$ ,  $p < 0.01$ , partial  $\eta^2 = 0.46$ ) were significant, as was the multivariate interaction of ARP and CSR information (Wilks'  $\lambda = 0.86$ ,  $F = 3.27$ ,  $p < 0.01$ , partial  $\eta^2 = 0.07$ ). The univariate interaction effects for internal reference price ( $F = 5.02$ ,  $p < 0.01$ , partial  $\eta^2 = 0.05$ ), value of the deal ( $F = 8.60$ ,  $p < 0.01$ , partial  $\eta^2 = 0.09$ ), attitude towards the deal ( $F = 7.70$ ,  $p < 0.01$ , partial  $\eta^2 = 0.08$ ), and purchase intention ( $F = 8.70$ ,  $p < 0.01$ , partial  $\eta^2 = 0.09$ ) were significant. As shown in Table 2, mean comparison indicates that the internal reference price had a higher mean for the exaggerated ARP (Mabsence = 4562.07, Mmoney = 4796.67, Min-kind = 5197.06) than for the plausible ARP (Mabsence = 3857.14, Mmoney = 4193.10, Min-kind = 4206.25) in the presence of the CSR contribution condition. The internal reference price had the highest mean for the exaggerated ARP when the CSR information was bundled with the in-kind condition. Similarly, the value of the deal had a higher mean for the exaggerated ARP (Mabsence = 3.26, Mmoney = 3.41, Mmoney = 4.65) than for the plausible ARP (Mabsence = 3.13, Mmoney = 3.35, Mmoney = 4.06) in the presence of the CSR information condition. The value of the deal had the highest mean for the exaggerated ARP when the CSR information was present in the in-kind condition. Attitude towards the deal also had a higher mean for the exaggerated ARP (Mabsence = 3.25, Mmoney = 3.46, Mmoney = 4.67) than for the plausible ARP (Mabsence = 3.12, Mmoney = 3.29, Mmoney = 4.05) in the presence of the CSR information condition. In particular, attitude towards the deal had the highest mean for the exaggerated ARP when the CSR information was present in the in-kind condition. Finally, purchase intention had a higher mean for the exaggerated ARP (Mabsence = 3.24, Mmoney = 3.42, Mmoney = 4.62) than for the plausible ARP (Mabsence = 3.11, Mmoney = 3.32, Mmoney = 4.02) in the presence of the CSR information condition. Purchase intention had the highest mean for the exaggerated ARP when the CSR information was bundled with the in-kind condition. The contrast between means is plotted in Appendix C for comparison. These results support H3 and H4 (Tables 3 and 4).

**Table 2.** Means of internal reference price, value of the deal, attitude towards the deal, and purchase intention.

	Absence		Money		In-Kind	
	Plausible ARP	Exaggerated ARP	Plausible ARP	Exaggerated ARP	Plausible ARP	Exaggerated ARP
Internal reference price	3857.14	4562.07	4193.10	4796.67	4206.25	5197.06
Value of the deal	3.13	3.26	3.35	3.41	4.06	4.65
Attitude towards the deal	3.12	3.25	3.29	3.46	4.05	4.67
Purchase intention	3.11	3.24	3.32	3.42	4.02	4.62



**Table 3.** Variance analysis of main and interaction effects of ARP and CSR contribution type.

Source	MANOVA		Univariate <i>F</i> Values			
	Wilks' $\lambda$	<i>F</i> Value	Internal Reference Price	Value of the Deal	Attitude towards the Deal	Purchase Intention
<i>Main effects</i>						
ARP	0.44	54.40 **	210.08 **	21.30 **	28.84 **	24.97 **
CSR perception	0.29	37.43 **	29.29 **	167.12 *	170.19 **	168.34 **
<i>Interactions</i>						
ARP $\times$ CSR perception	0.86	3.27 **	5.02 *	8.60 **	7.70 **	8.70 **

\*  $p < 0.05$ ; \*\*  $p < 0.01$ .**Table 4.** Means of internal reference price, value of the deal, attitude towards the deal, and purchase intention.

	Absence		Money		In-Kind	
	Plausible ARP	Exaggerated ARP	Plausible ARP	Exaggerated ARP	Plausible ARP	Exaggerated ARP
Internal reference price	3857.14	4562.07	4193.10	4796.67	4206.25	5197.06
Value of the deal	3.13	3.26	3.35	3.41	4.06	4.65
Attitude towards the deal	3.12	3.25	3.29	3.46	4.05	4.67
Purchase intention	3.11	3.24	3.32	3.42	4.02	4.62

## 5. Discussion and Conclusions

### 5.1. Discussion

This paper highlights the moderating effect of retailer corporate social responsibility (CSR) perception and CSR contribution type on the relationship between advertised reference price (ARP) and consumer evaluations. A factorial experiment was employed with the manipulation of ARP (plausible ARP and exaggerated ARP) and CSR contribution type (absence vs. money vs. in-kind) for testing the hypotheses.

Previous research found that consumers' perceptions of a corporation's CSR are positively related to their perceptions of price fairness, and CSR knowledge is employed by consumers in the decision-making process (Carvalho et al. 2010). Dutta and Singh (2013) also suggested that a retailer's CSR program influences consumers' retailer evaluation and results in their willingness to purchase from the retailer. Moreover, research has found that consumers react differently to money versus in-kind types of CSR contributions (Ellen et al. 2000; Hamby 2016; Hildebrand et al. 2017; Zhu et al. 2017).

The results of the experiment show that the internal reference price, value of the deal, attitude towards the deal and purchase intention are higher for the exaggerated ARP than for the plausible ARP in the high CSR perception condition. Similar effects also occur when the retailer CSR contribution type is present in the reference price advertisement. That is, in-kind contributions have a stronger effect than money. This study helps to better understand and craft integrative ARP and CSR strategies to influence consumers' price perceptions, evaluations and intentions.

### 5.2. Conclusions and Implications

The effect of ARP on consumer price evaluation and behavioral intention has been well established in recent years. Researchers have recently focused their efforts on identifying moderators that affect the ARP effects (e.g., Mazumdar et al. 2005; Krishnan et al. 2006; Krishnan et al. 2013; Kan et al. 2014). This study contributes to the literature on ARP effects by recognizing the contingent effect of CSR on consumer evaluations of an ARP offer.

The results of data analyses supported all four sets of hypotheses. Specifically, consumers' perception of internal reference price, value of the deal, attitude towards the deal,

and purchase intention are higher when exposed to an exaggerated ARP than a plausible ARP. Similar effects also occur when the CSR initiative is present in the reference price advertisement. These effects are stronger when the consumer perception of the store's CSR is better.

These results are consistent with the notion that the CSR activities being undertaken by a company affect consumers' trust in that organization (Pivato et al. 2008). A significant insight is that consumers do incorporate their knowledge of a company's CSR into their decision-making processes. In a sense, retailer CSR creates a spillover effect in which consumers are not only willing to spend extra, but also display intent to purchase (Dutta and Singh 2013). In line with previous research findings (Hamby 2016; Hildebrand et al. 2017), the interaction between ARP and CSR contribution types is more likely to manifest when bundled with in-kind contributions, such as food, medicines, and services, than when bundled with monetary contributions to an uncontrollable CSR issue (e.g., natural earthquake disaster). These perceptions of CSR are of particular importance to retailers, who should consider including a CSR message bundled with an appropriate contribution type when making decisions on how to design their reference price advertisements.

### 5.3. Limitations and Future Studies

While this study provides an insight into the effectiveness of ARP and CSR's spillover effect, there are limitations with regard to its applicability to retailers in specific circumstances. The cross-sectional experiment was conducted in a classroom setting with one carefully selected product (Sony Blue-ray player) and a set of convenience samples (MBA students). Previous research has shown that the extent to which the effect of retailer-provided ARP on consumers' price evaluations might differ across retail channels, product categories, and demographic segments. Hence, the generalizability and validity of the results remains unknown (Marczyk et al. 2017). As a result, future research should continue to look at such differences. Another issue worthy of further exploration is the effect of ARP in the presence of different types and framings of CSR initiatives in the time of COVID-19 or other global crisis.

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### Appendix A. Measurement Scales Used and Reliability Test

Internal reference price

Adapted from Lichtenstein and Bearden (1989) and Urbany et al. (1988)

The dollar estimates of the Sony Blu-Ray player' average market price.

Value of the deal

Adapted from Krishnan et al. (2013)

(1 = strongly disagree, 5 = strongly agree),

I would consider this Sony Blu-ray player to be a good buy.

This Sony Blu-ray player appears to be a bargain.

At the sale price, this Sony Blu-ray player is probably worth the money.

Cronbach's alpha = 0.94

Attitude towards the deal

Adapted from [Krishnan et al. \(2013\)](#)

My attitude toward the offer for this Sony Blu-ray player is\_\_\_\_  
(1 = unfavorable, 5 = favorable)

My attitude toward the offer for this Sony Blu-ray player is\_\_\_\_  
(1 = bad, 5 = good)

My attitude toward the offer for this Sony Blu-ray player is\_\_\_\_  
(1 = poor, 5 = excellent)

Cronbach's alpha = 0.94

Purchase intention

Adapted from [Krishnan et al. \(2013\)](#)

(1 = definitely unwilling to purchase, 5 = definitely willing to purchase)

If you are considering the purchase of a Sony Blu-ray player, how willing would you be to purchase at the retailer running this advertisement.

(1 = definitely would not consider, 5 = definitely would consider)

If you were thinking about purchasing a Sony Blu-ray player, would you consider purchasing from the retailer running this advertisement?

(1 = not probable at all, 5 = very probable)

What is the probability that you would purchase from the retailer running the ad, if you were considering the purchase of a Sony Blu-ray player DVD?

Cronbach's alpha = 0.95

CSR perception

Adapted from [Carvalho et al. \(2010\)](#)

(1 = strongly disagreed, 5 = strongly agreed)

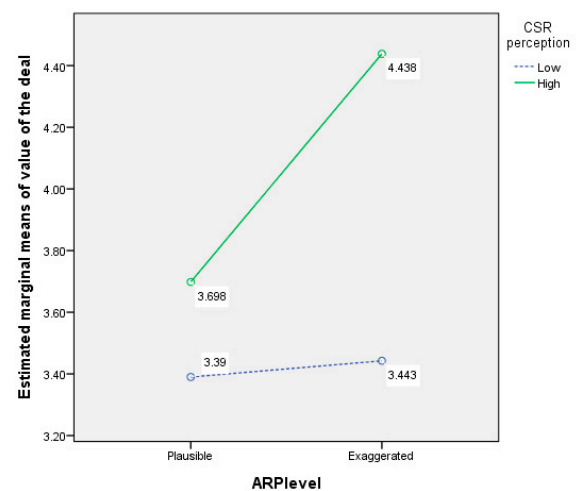
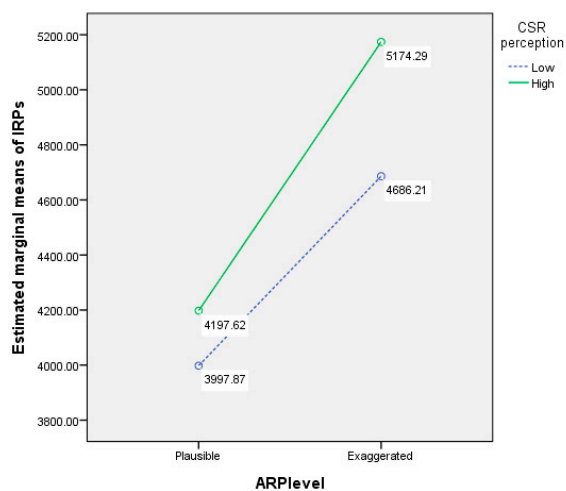
This retailer demonstrates that it is concerned with the environment.

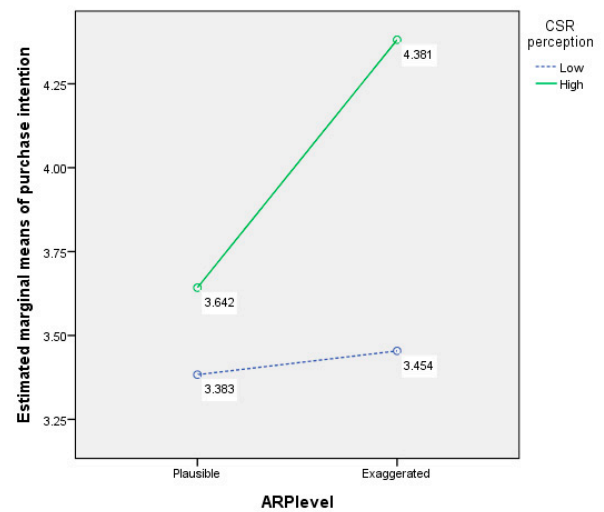
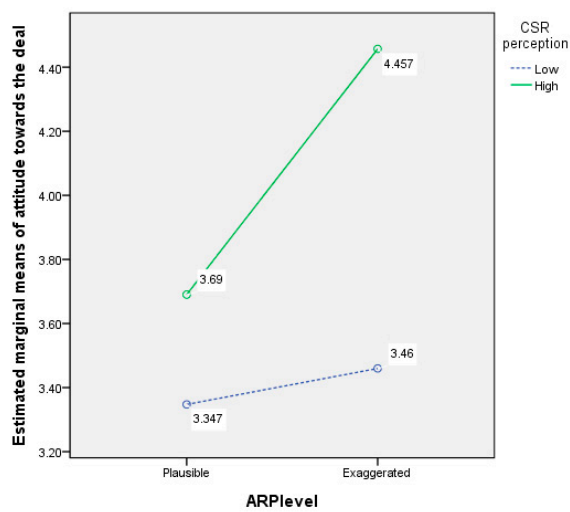
This retailer demonstrates that it is involved in the community.

This retailer makes investments in worthwhile causes.

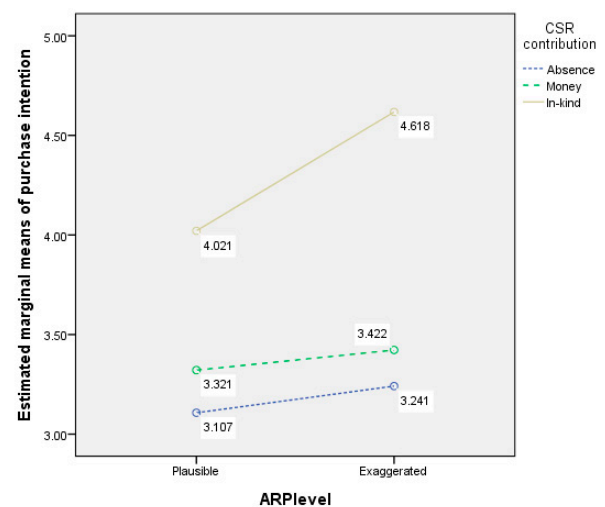
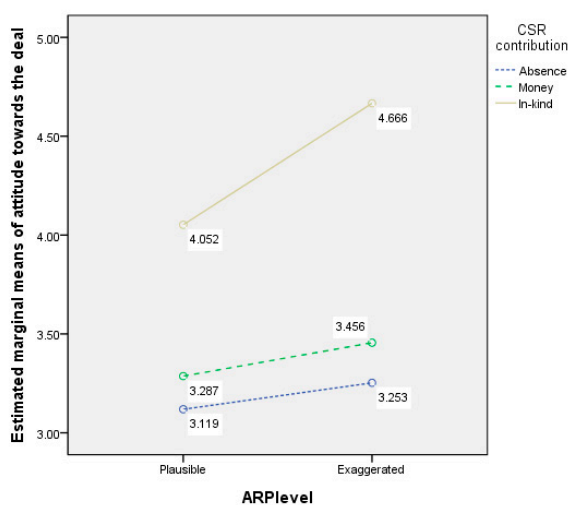
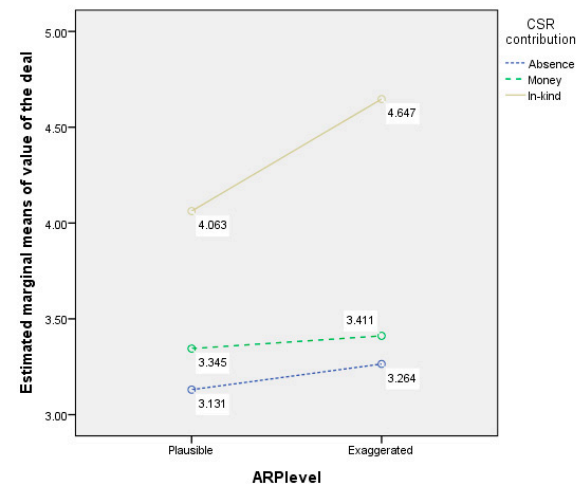
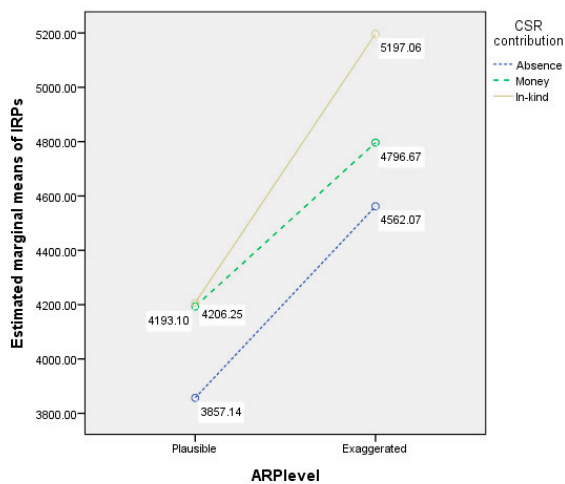
Cronbach's alpha = 0.93

## Appendix B. Mean Comparisons of ARP and CSR Perception





### Appendix C. Mean Comparisons of ARP and CSR Initiative



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