Review

Doing well by doing good, or doing ill by doing good?
An integrated model of consumer responses to corporate disaster relief giving

Yongqiang Gao

School of Management, Huazhong University of Science and Technology, Wuhan city, P.R.China, 430074.
E-mail: yqgao@mail.hust.edu.cn.

Accepted 26 June, 2012

This study aims to build an integrated model to explain why purely altruistic corporate disaster relief giving may result in different (both positive and negative) consumer responses and the study is based mainly on expectation-satisfaction theory. The method of backward reasoning is adopted in this study. Using this method, we build the expected model by taking three steps. The study found out that consumers have different responses because they have different levels of satisfaction (or dissatisfaction) with a firm’s disaster relief giving and making different attributions toward the firm’s motivation. Satisfaction leads consumers to make positive motivation attribution, and vice versa. Consumers satisfying or not with a firm’s giving is determined by the gap between this giving and the expected giving of consumers on it. Consumer expectation is further determined by firm capability, severity of the disaster, peers' giving and other contingencies. This study contributes to the literature on corporate social responsibility (CSR) by identifying the underlying mechanism of consumer response to corporate philanthropy. It suggests that firms not only need to do good, but also need to do good in a right way.

Key words: Corporate disaster relief giving, consumer response, corporate social responsibility (CSR), expectation-satisfaction theory.

INTRODUCTION

The traditional wisdom about corporate philanthropy is that “doing good leads to doing well”, because philanthropic giving increases consumers’ attitude and purchase intention (Berens et al., 2005; Pirsch et al., 2007; Stanaland et al., 2011). However, some researchers have questioned this wisdom and argued that corporate philanthropy (or broadly corporate social responsibility, CSR) may not necessarily lead to positive response of consumers or even lead to negative response if they suspect a firm’s true motivation of doing that (Cui et al., 2003; Gao, 2009; Yoon, 2003). Yoon (2003) called it “backfire effect” of corporate philanthropy.

There was a case that well documented the backfire effect of corporate philanthropy. During the disaster relief process of 2008 “Sichuan Earthquake”, Vanke, a leading and most profitable real estate company in China, donated RMB 2 million immediately to the disaster relief without any string. However, this action of Vanke was fiercely challenged and criticized by the public. As a result, the stock price of Vanke had dropped more than 11 percent from May 15, 2008 to May 20, 2008. Under the immense social pressure, Vanke made a decision to invest another RMB 100 million in the reconstruction of the disaster area on May 21, 2008 as compensation. Even though, the brand value of Vanke dropped RMB 1.23 billion in 2008 compared to that in 2007 (Beijing Eveningpaper, 2008-6-4).

This episode of Vanke acts as a striking example of the “backfire effect” of corporate philanthropy. Previous studies have found that backfire effect does exist for corporate giving in cause-related marketing (Barone et al., 2000; Ellen et al., 2006; Yoon, 2003). However,
cause-related marketing is often regarded as a strategy of marketing rather than a true action of philanthropy. We still know little about why a purely altruistic corporate giving such as Vanke’s disaster relief giving would produce backfire effect (Yoon, 2003). Many questions are still to be answered about the processes by which corporate behaviors and communications influence what stakeholders actually think about a company (Brown et al., 2006; Ellen et al., 2006) and their consequent behaviors.

Some scholars have pointed out that consumers’ perceived motivation of firms engaging in CSR affects their responses (Campbell and Kirmani, 2000; Ellen et al., 2000; Sen and Bhattacharya, 2001). When consumers question a firm’s motivation of corporate philanthropy, that is, when consumers think the motivation of the firm’s philanthropy is self-centered or make negative attribution, they tend to respond to the firm negatively. On the contrary, if consumers perceive the firm’s motivation of philanthropy is other-centered or make positive attribution, they tend to support the firm (Becker-Olsen et al., 2006; Dean, 2003/2004; Ellen et al., 2006).

However, to date, previous studies have not answered why or under what conditions consumers will make different attributions to a firm’s philanthropy. The process by which a firm’s philanthropy affecting consumers’ response is still to be investigated. The main purpose of this study is thus to build an integrated model to explain why truly altruistic corporate giving may lead to different (both positive and negative) consumer responses. The study contributes to the literature on CSR by identifying the underlying mechanism of consumer response to corporate philanthropy.

This study has important implications for firms. Since corporate philanthropy does not necessarily lead to positive consumer response or even lead to negative consumer response in some cases, firms are suggested to adopt their social initiatives with caution. To get consumers’ positive response, firms not only need to conduct corporate philanthropy, but also conduct it in a right way.

**Background and research scope**

In this study, corporate philanthropy refers to corporate disaster relief giving. We consider corporate giving to disaster causes rather than regular causes because disaster causes tend to attract more attention from the public than regular causes. In addition, under a disaster, high visibility leads a firm’s disaster relief giving to be affected by various factors, such as the severity of the disaster, the disaster relief giving of its competitors, the characteristics of the firm itself, and the like. Consumers also use multiple sources of information to assess a firm’s performance in supporting disaster relief.

Comparatively, corporate philanthropic giving to regular causes is less visible and consumers have very limited information to assess a firm’s philanthropic behavior. Therefore, consumers’ response to a firm’s giving to regular causes is frequently reported positive, while their response to a firm’s giving to disaster causes is uncertain.

Consumer responses in this study refer to behavior-related reactions, such as product and brand evaluations; purchase intent or purchase behavior; brand choice, switch, or recommendation; willingness to pay a relatively higher price and so on. Behavior-related consumer responses are frequently adopted in previous studies on the relationship between corporate philanthropy and consumer reaction (Becker-Olsen and Hill, 2006; Dean, 2003/2004; Ellen et al., 2006; Lee et al., 2009; Sen and Bhattacharya, 2001). Consumer responses could be either positive or negative. Positive consumer responses are the expected outcomes a firm tries to achieve by engaging in corporate philanthropy.

It is worthy to note that consumer perception of a given firm’s philanthropy, including satisfaction or dissatisfaction and motivation attribution, are not taken as a construct of consumer responses. In literature on corporate philanthropy, consumer perception is often regarded as antecedent of consumer attitude and behavior. For example, consumers’ perception of corporate motivations in engaging philanthropy is regarded to affect their subsequent attitude and behavior (Barone et al., 2000; Brown and Dacin, 1997; Ellen et al., 2006; Lee et al., 2009). The difference between consumer response and consumer perception in this study also lies in objectives targeted by consumers. Consumer response aims mainly at a firm’s product or brand, while consumer perception aims at the firm’s philanthropic behavior. Thus, consumer perception acts as determinant of consumer response.

In addition, we assume that a firm’s product quality and its capability of producing quality products should not have significant change after disaster relief giving. Previous studies have found that if product quality of a given firm becomes less reliable after corporate giving, consumers tend to question it and respond negatively because such a giving distracts the firm from its ability to produce quality products (Brown and Dacin, 1997).

The research scope of this study lies in identifying the mechanism or black box linking corporate disaster relief giving and consumer responses (Figure 1).

The method of backward reasoning is adopted in this study. We take three steps to identify the mechanism underlying different consumer responses to corporate disaster relief giving. The first step is to link consumer responses with their perception of a given firm’s giving. The expectation-satisfaction theory is applied to explain this linkage. We argue that consumers’ satisfaction or dissatisfaction with a firm’s giving leads them to make different motivation attributions toward the firm. Both consumers’ (dis) satisfaction and motivation attribution...
towards the firm determine their responses.

The second step is to answer why consumers satisfy or dissatisfy a firm’s disaster relief giving. As expectation-satisfaction theory suggested, consumers’ satisfaction or dissatisfaction depends on the “gap” between a firm’s real disaster relief giving and the expected giving by consumers on it. Therefore, to identify the underlying determinants of consumers’ expectation of corporate philanthropy becomes the core task of this step.

The third step is to put all the potential components or constructs together and put forward an integrated model bridging corporate disaster relief giving and consumer responses.

**Step one: Linking consumer perceptions with responses**

Literature has well documented the positive effect of CSR on consumer responses, such as higher levels of trust and loyalty among consumers (Stanaland et al., 2011), high evaluation of product quality (Purohit and Srivastava, 2001), positive word-of-mouth and repeat purchasing (Zeithaml et al., 1996), greater willingness to purchase the firm’s products (Podnar and Golob, 2007), and willingness to pay higher prices (Trudel and Cotte, 2009).

However, corporate philanthropy does not always result in positive responses from consumers. Ellen et al. (2000) argue that consumers will respond positively to a firm’s philanthropy only when they believe the firm is rejecting its basic self-interested nature or somehow making a sacrifice. If consumers do not trust the firm’s pro-social position, they are not willing to reward it for its CSR activity (Osterhus, 1997). According to these arguments, corporate disaster relief giving should be taken as an exception. For disaster relief giving, firms are making a sacrifice and take a pro-social position. But corporate disaster relief giving does not necessarily lead to positive consumer responses too, as the Vanke case suggested. Some scholars have found consumers’ perceived motivation of firms engaging in philanthropic giving acts as important determinant of their subsequent responses.

When consumers suspect a firm’s true motivation of corporate philanthropy, they tend to respond to it negatively (Barone et al., 2000; Yoon, 2003; Ellen et al., 2006).

The perceived motivation of corporate philanthropy is often polarized in previous studies. For example, Bendapudi et al. (1996) differentiate CSR motivations between altruistic versus egoistic; Forehand and Grier (2003) label them as public-serving versus firm-serving; Ellen et al. (2006) use self-centered versus other-centered; while Becker-Olsen and Hill (2006) name them socially-driven versus profit-driven. In this study, following Dean (2003, 2004), we polarize consumer perceived motivation of corporate philanthropy into positive versus negative. For positive attribution, consumers tend to think a firm’s giving is altruistic, public-serving, socially or values driven; while for negative attribution, consumers tend to think the firm’s giving is egoistic, self-serving, and profit-driven. Positive attribution leads to positive consumer responses, while negative attribution leads to negative consumer responses.

However, why consumers will make different motivation attributions toward a firm’s unconditional disaster relief giving? The answer may lie in consumers’ expectation and (dis)satisfaction with the firm’s philanthropic giving. Under a disaster, consumers tend to have their own expectation on a given firm’s performance in disaster relief. Fail to meet this expectation will lead to consumers’ dissatisfaction with the firm’s performance, which may further lead them to question the firm’s motivation, and vice versa.

In other words, if there is a significant negative gap (a firm’s giving is significantly lower than what consumers expected) between a firm’s real giving and the expected giving by consumers on it, consumers will dissatisfy the firm’s performance and then make negative attribution to the firm’s motivation. On the contrary, a positive gap between a firm’s real giving and the consumers’ expected giving will satisfy consumers and lead them to make positive motivation attribution towards the firm. Therefore, we put a step backward from consumer responses to consumer perception and achieve the following model (Figure 2).
Step two: Identifying determinants of consumer expectation

As we discussed previously, consumers satisfying or dissatisfying a firm’s disaster relief giving depends on whether or not the giving meets what they expected on it. When a firm’s giving is given, consumers’ satisfaction or dissatisfaction with the giving is going to be determined solely by their own expectation on the firm.

Various factors may affect consumers’ expectation on a given firm’s performance in disaster relief (Gao, 2009). Among the potential factors, three are extremely important, including firm capability, severity of disaster, and peers’ giving.

Firm capability

A firm’s social responsibility originates mainly from its social power. Therefore, firms with higher social power are expected to take on more social responsibilities. Firm capability, which is to some extent reflected from a firm’s size and financial performance, could be seen as a proxy for social power (Davis, 1967). CSR literature has well documented that large firms and firms with more “slack resources” or higher financial performance tend to contribute more to charities (Adams and Hardwick, 1998; Brammer and Millington, 2006; Waddock and Graves, 1997). Thus, firms with higher capability are expected by consumers to have better performance in supporting disaster relief.

Severity of disaster

Consumers’ expectation on a given firm’s performance in disaster relief may be affected not only by its capability but also by the severity of the disaster. A disaster that caused serious damages to both human life and property will produce high levels of sympathy or compassion among the public. As a result, consumers expect individuals and firms to put more resources in supporting such a disaster relief. The more severe of a disaster, the higher expectation consumers will put on firms to support disaster relief.

Peers’ giving

Consumers’ expectation on a given firm’s performance in disaster relief is also to be affected by the performance of its competitors (Gao, 2009). Previous studies have demonstrated that a firm’s giving behavior is affected by its peers’ giving behavior (DiMaggio and Powell, 1983; Marquis et al., 2007). Institutional theorists have suggested that when enough firms take an action (for example, disaster relief giving), there will form institutional pressure which forces any firms to follow, a mechanism called competitive isomorphism (DiMaggio and Powell, 1983). In addition, literature on consumer psychology suggests that consumers will judge a firm’s social performance by comparing with other firms’ social performance, one of cognitive biases called contrast effect (Dean, 2003, 2004; Gao, 2009).

Why was Vanke’s RMB 2 million unconditional disaster relief giving was widely criticized by the public? One of the reasons may be that many other firms especially those also located in real estate industry but having smaller size or being less profitable than Vanke donated more to disaster relief than Vanke. Peers’ giving behavior acts as an important frame of reference. Of course, in the cases when a firm acts as pioneer in disaster relief...
Step three: Building an integrated model

Up till now, we have discussed the relationship between consumer perception of a firm’s disaster relief giving and their responses; the reason why consumers have different perceptions of the firm’s giving; and the formation of consumer expectation on the firm’s performance in disaster relief. Now we put them together and get a complete process model that links corporate disaster relief giving and consumer responses (Figure 3).

In the case of disaster relief, consumers have their own expectation on a given firm’s performance. Such an expectation is formed by synthetically considering the firm’s capability, the severity of the disaster, other firms’ giving, and other contingent factors. Consumers tend to highly expect a firm’s disaster relief performance when the firm has high capability (usually large size and high financial performance) and good past social performance, the disaster is severe, and other firms especially the competitors have good performance in disaster relief.

Consumers will not satisfy a firm’s performance in disaster relief giving if it does not meet their expectation. Only when the firm’s disaster relief giving meets or exceeds consumers’ expectation, consumers will be satisfied with its performance. In other words, consumers’ satisfaction or dissatisfaction depends on the “gap” between a firm’s real disaster relief giving and what it is expected by consumers. No gap or positive gap (a firm’s giving equals to or exceeds what expected by consumers) leads to satisfaction of consumers, while...
negative gap (a firm’s giving is less than what expected by consumers) leads to dissatisfaction.

When consumers satisfy a firm’s disaster relief giving, they tend to respond to it positively, including highly evaluating the firm’s brand and products, greater willingness to buy the firm’s products, willingness to switch brand and to pay a higher price, and so on. However, if consumers dissatisfy a firm’s disaster relief giving, they tend to respond to it negatively.

Moreover, consumers’ satisfaction or dissatisfaction will lead them to make different attributions toward a firm’s motivation of disaster relief giving. Satisfaction leads consumers to make positive motivation attribution of the firm, while dissatisfaction leads them to make negative motivation attribution. Positive motivation attribution further leads consumers to respond positively to the firm and its products, and vice versa.

A firm’s performance in disaster relief giving may include both giving amount and giving timing (Patten, 2008). Consumers also have their own expectation on a firm’s performance in giving timing and amount. When a firm’s giving is conducted slower than consumers’ expectation, consumers will think the firm is unwilling to support disaster relief and its performance is dissatisfy. Similarly, if a firm’s giving amount is less than what consumers expected, consumers will think the firm is too stingy and dissatisfy its performance. Thus, a good performance in disaster relief giving needs firms to conduct giving quickly or timely and to contribute a considerable quantity. But giving timing and giving amount may also be interrelated. A firm’s disadvantage in giving timing could be compensated to some extent by giving amount, and vice versa.

**DISCUSSION AND CONCLUSION**

This study provides an integrated model that links corporate disaster relief giving and consumer responses. Corporate philanthropic giving, even the unconditional disaster relief giving, can result in both positive and negative consumer responses. Different consumer responses depend on the “gap” between a firm’s performance in disaster relief giving and what consumers expected on it. No gap or positive gap leads consumers to satisfy with the firm’s giving, which further leads consumers to make positive attribution towards the firm’s motivation. Satisfaction and positive motivation attribution lead consumers to respond to the firm positively. The contrary, negative gap leads consumers to dissatisfy with the firm’s giving, which further leads them to make negative motivation attribution towards the firm. Dissatisfaction and negative motivation attribution result in negative consumer responses. In addition, consumers’ expectation on a given firm’s performance in disaster relief is shaped by the firm’s capability, the severity of the disaster, other firms’ giving, and other contingencies.

Our model has important implication for firms in conducting disaster relief giving as well as other philanthropic giving in a transparent environment. Although the traditional wisdom is that “doing good leads to doing well”, our model suggests that it is also possible that “doing good leads to doing ill”. As a result, firms not only need to do good, but also need to do it in a right way.

Our model also shed light on “how to do good in a right way”. Since consumers’ negative responses are resulted from the negative “gap” between a firm’s real disaster relief giving and what consumers expected (the real giving is less than what expected), to avoid consumers’ negative responses needs the firm to deal with consumers’ expectation properly. However, consumers’ expectation on a firm’s disaster relief giving is determined to a large extent by the factors that the firm could not be managed or controlled. Therefore, the core of managing “backfire effect” of corporate philanthropy lies in the right prediction of consumers’ expectation.

However, to predict consumers’ expectation on a given firm’s disaster relief giving rightly is not an easy task. Consumers’ expectation tends to be affected by multiple factors in a complex way. Therefore, to predict consumers’ expectation on a given firm’s disaster relief giving, managers need to know the underlying factors especially the most important in shaping the expectation. As we discussed previously, consumers’ expectation is going to be affected primarily by firm capability, severity of disaster and peer’s giving. Thus, managers could predict consumer expectation well through the following procedure.

At first, managers need to evaluate the severity of the disaster. Under a disaster, it is natural that consumers’ expectation is to be affected by the severity of the disaster. Therefore, business executives should firstly evaluate how severe the disaster is in predicting consumer expectation. The more serious the disaster is, the higher expectation of consumers will be, and the more a firm needs to contribute to the disaster relief.

However, to predict consumers’ expectation in terms of the severity of the disaster has significant limitations. At first, if a firm does not have experience in supporting disaster relief before, it is very hard to judge how much a giving is expected by consumers. Beside, even a firm has experience in disaster relief giving before, it is also impossible for the firm to guess consumer expectation and to conduct disaster relief giving just based on its past experience and the severity of the disaster. Other firms’ disaster relief giving should have significant impact on consumers’ expectation on the firm’s giving. Therefore, business executives should also take their competitors’ disaster relief giving as frame of reference in predicting consumers’ expectation on their own firms.

To predict consumer expectation by taking competitors’ giving as frame of reference is a good way but there is also an exception. When a firm acts as pioneer in
conducting disaster relief giving, then no competitor’s giving could be taken as frame of reference. In this case, the firm could take its past experience as reference firstly, but it still needs to “watch over” its competitors’ giving followed. This is because consumers’ expectation is changeable, to be affected by the followed competitors’ giving. The firm needs to follow the changed expectation and adjust its giving when it is necessary (usually to conduct giving once more as compensation). In addition, when a firm takes its competitors’ giving as frame of reference, it is also necessary to consider the difference in capability between the firm’s and that of its competitors. Consumers’ expectation should be firm-specific. Firms with different levels of capability are to be expected differently by consumers in supporting disaster relief. As a result, a firm needs to adjust its giving according to its relative capability to its competitors. Firms need to avoid adopting a low-effort CSR profile compared to their capability (Stevens et al., 2005).

To sum up, firms could successfully avoid “backfire effect” of corporate disaster relief giving by successfully predicting consumers’ expectation on them. A simple way to do that is to take competitors’ giving as frame of reference. At the same time, to adjust the prediction by considering their relative capability compared to the competitors, the severity of the disaster and the past performance. However, it is worthy to note that to conduct disaster relief giving in terms of the predicted consumer expectation may allow firms to avoid the “backfire effect”, but it may not allow them to use the disaster relief giving strategically to build competitive advantage through enhancing its reputational capital (Gardberg and Fombrun, 2006; Godfrey, 2005). For firms that want to take the advantage of strategic value of corporate philanthropy, they need to give significant more and faster than their competitors.

However, though we proposed an integrated model linking corporate disaster relief giving and consumer responses, empirical tests are still to be conducted. As a result, future studies should aim at empirical tests of the model proposed in this study.

ACKNOWLEDGEMENT

This research is financially supported by “Humanities and Social Science Planned Fund of Education Ministry of China” (No. 10YJA630039), the “Fundamental Research Funds for the Central Universities, HUST” (No. 2012QN210), and the “Youth Item of Humanities and Social Science of HUST” (No. 2010001).

REFERENCES


