

Corporate social responsibility and perceived fairness of price increases

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Funding information

Academy of Finland, Grant/Award Number: 338343

Abstract

Consumers care about the fairness of companies both in terms of corporate social responsibility (CSR) engagement and the fairness of prices. However, the interplay between these domains is not yet well understood. Therefore, this study examines how consumers' perceptions of CSR engagement affect their perceived price fairness following a price increase. Drawing on cue-utilization and expectancy disconfirmation theory, the authors propose that perceived CSR engagement exacerbates the negative effect of a price increase on perceived price fairness, because perceived CSR engagement increases consumers' price fairness expectations which are violated through price increases. These propositions are tested in three experimental studies with samples consisting of approximately 3000 customers of a global furniture manufacturer and retailer (Study 1), as well as participants acquired through a self-administered online consumer panel (Study 2) and Prolific (Study 3). The experiments yield support for the hypothesized effects and reveal CSR skepticism as a critical boundary condition. The findings extend existing literature on the effects of perceived CSR engagement and pricing on consumer reactions by examining the role of perceived CSR engagement in shaping consumer reactions to price increases and by establishing consumers' price fairness expectations as the central psychological mechanism.

KEYWORDS

consumer expectations, corporate social responsibility, CSR skepticism, price fairness, price increases

1 | INTRODUCTION

It is not uncommon for companies to increase the prices of products. For example, Unilever, the company behind the cosmetics brand Dove, recently announced price increases.¹ At the same time,

Dove communicates about its corporate social responsibility (CSR) engagement in the domain of various social issues, such as women empowerment and improving the self-esteem of young people.² In this study, we are interested in the interplay of these two common business activities, that is, price increases and CSR. Specifically, we

¹<https://www.wsj.com/articles/inflation-pushes-consumer-goods-giant-unilever-to-accelerate-price-increases-11626948863>

²<https://www.dove.com/us/en/dove-self-esteem-project.html>

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ask: *How do consumers' perceptions of a company's CSR engagements affect their reactions to the company's price increases?* Anecdotal evidence suggests that perceived CSR engagement may enforce consumers' adverse reactions to price increases. For example, during the COVID-19 pandemic, Marks & Spencer, a company that regularly communicates about its CSR engagement, roughly doubled the price of its hand sanitizer products. In the aftermath of the price increase, the company's reputation as a responsible company appeared to work against it, as seen in the following comment made on social media: "I expect this behavior from lesser companies, but thought better of you?"³ Thus, it appears that perceived CSR engagement may cause interesting and previously unexplored backlash effects among consumers in price increase situations.

To explore this phenomenon, we turn to prior research, which concludes that consumers care deeply about price fairness (Campbell, 1999; Xia et al., 2004), referring to "a consumer's subjective sense of a price as right, just, or legitimate versus wrong, unjust, or illegitimate" (Campbell, 2007, p. 261). Price fairness is especially relevant in the case of price increases, which consumers generally perceive as unfair (Campbell, 1999, 2007). Furthermore, prior research suggests that consumers react positively to perceived CSR engagement (Luo & Bhattacharya, 2006; Mohr & Webb, 2005), which refers to "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams & Siegel, 2001, p. 117). In line with this definition, we focus especially on CSR engagement in the domain of social issues, such as philanthropic support to social causes, as opposed to other domains of CSR engagement, such as business process CSR.

Previous contributions at the intersection of CSR engagement and pricing (Table 1) suggest that cause-related marketing, in which a company donates to a good cause with every purchase of selected products, tends to increase perceived price fairness (Fennell et al., 2020), particularly as the company's donation amount increases (Koschate-Fischer et al., 2016). Furthermore, more general CSR engagement on the one hand improves perceived price fairness (Habel et al., 2016; Matute-Vallejo et al., 2010), but on the other hand consumers may also perceive a CSR-related price markup, which in turn reduces perceived price fairness (Habel et al., 2016). Moreover, the motives attributed by consumers play an important role in the formation of fairness perceptions; for example, price increases are perceived as fairer if they are attributed to a social motive rather than a profit motive (Gielissen et al., 2008).

Despite these important contributions, prior research does not yet provide a clear answer to our research question. Specifically, it remains unclear how consumers perceive a price increase from a company that they perceive as engaged in CSR, which is not related to a specific cause-related marketing campaign. We therefore develop a novel theoretical framework (see Figure 1), in which we argue that a company's perceived CSR engagement in the domain of social issues may exacerbate the negative effect of a price increase

on perceived price fairness. Building on the literature on halo effects, cue-utilization, and expectancy disconfirmation theory, we propose that perceived CSR engagement builds up high consumer expectations of price fairness, that is, price fairness perceptions formed *prior* to acquiring information about a price increase. Since a price increase violates these expectations, consumers confronted with a price increase may perceive price fairness as particularly low.

We empirically test these propositions in three experimental studies with samples consisting of approximately 3000 customers of a global furniture manufacturer and retailer (Study 1), as well as participants acquired through a self-administered German online consumer panel (Study 2) and Prolific (Study 3). The findings confirm our hypotheses, revealing a negative interaction effect of perceived CSR engagement and a price increase (Study 1) which occurs via elevated price fairness expectations and their violation (Study 2). Finally, we demonstrate an important boundary condition: our results only occur for consumers with low skepticism toward a company's perceived CSR engagement (Study 3).

Consequently, our research makes important theoretical contributions. *First*, we extend previous literature on halo effects (Chernev & Blair, 2015; Schuldt et al., 2012) by showing that perceived CSR engagement in the domain of social issues elevates consumers' price fairness expectations, which may in fact reduce price fairness perceptions when these expectations are violated. *Second*, we contribute to research on consumers' mental processes in response to perceived CSR engagement (e.g., Aguinis & Glavas, 2012; Yoon et al., 2006) as well as to the literature on CSR and pricing (Table 1). *Third*, we extend the research on behavioral pricing (e.g., Bolton & Alba, 2006; Campbell, 1999) by examining perceived CSR engagement as a contextual influence shaping consumer reactions to price increases.

2 | CONCEPTUAL CONTEXT: PERCEIVED CSR ENGAGEMENT AND PRICE CHANGES

Many consumers are willing to pay higher prices for socially responsible products (Tully & Winer, 2014), and CSR perceptions increase perceived price fairness (Carvalho et al., 2010; Matute-Vallejo et al., 2010). However, CSR also leads consumers to infer a price markup which reduces perceived price fairness (Habel et al., 2016). In some cases, such as in luxury contexts, perceived CSR engagement even lowers consumers' willingness to pay (Diallo et al., 2021).

In turn, consumers perceive themselves as entitled to a certain reference price, while accepting that suppliers are entitled to a reference profit (Kahneman et al., 1986). Thus, a price increase is perceived as fair when it compensates for increased production costs (Bolton & Alba, 2006) and unfair when it is caused by and under the control of the seller (e.g., through an internal mistake; Vaidyanathan & Aggarwal, 2003). Furthermore, when a consumer perceives a price change from one transaction to another, the similarity of the two transactions influences price fairness perceptions, along with the reasons for a certain price, previous similar interactions between the same actors, and beliefs of sellers' practices

³<https://www.independent.co.uk/life-style/marks-spencer-hand-sanitiser-price-cost-coronavirus-pandemic-a9521776.html>

TABLE 1 Literature review

Research focus	Reference	Method	Interplay of CSR and pricing	Mediators	Moderators	Type of CSR
The influence of CSR on consumer outcomes	Carvalho et al. (2010)	Survey	CSR perceptions increase purchase intentions and decrease the likelihood to switch to a competitor and to complain.	Price fairness and personal satisfaction	Purchasing power	Social and environmental CSR
	Diallo et al. (2021)	Online surveys	Luxury brands' CSR engagement reduces willingness to pay a price premium.	Luxury brands' functional, symbolic, and social value dimensions	Long-term orientation	General CSR engagement
	Habel et al. (2016)	Focus group interviews, experiments, survey	CSR engagement improves perceived price fairness due to a perceived CSR benefit. However, consumers also realize that CSR engagement might lead to a CSR-related price markup, which reduces perceived price fairness.	Perceived CSR benefit, price markup, CSR costs	Intrinsic CSR attributions, type of CSR, source of CSR budget	General CSR engagement, philanthropic and business-process CSR, social CSR
The influence of cause-related marketing on consumer outcomes	Matute-Vallejo et al. (2010)	Survey	CSR engagement and price fairness increase loyalty. CSR engagement increases price fairness evaluations.	Customer satisfaction and commitment	n.a.	General CSR engagement
	Andrews et al. (2014)	Experiments	Cause-related marketing increases consumer purchases and firm sales revenues, especially when combined with moderate price discounts.	Feelings of warm glow	Price discount	Cause-related marketing
	Fennell et al. (2020)	Experiments	Cause-related marketing increases perceived price fairness.	Consumer skepticism of firm motives	Donation quantifier (monetary vs. descriptive)	Cause-related marketing
The influence of cause-related marketing on consumer outcomes	Koschate-Fischer et al. (2012)	Experiments	There is a positive and concave relationship between donation amount in a cause-related marketing	Attributed company motives	Attitude towards helping others, warm glow motive, cause involvement, cause organization affinity,	Cause-related marketing

(Continues)

TABLE 1 (Continued)

Research focus	Reference	Method	Interplay of CSR and pricing	Mediators	Moderators	Type of CSR
	Koschate-Fischer et al. (2016)	Experiments	Company's donation amount in a cause-related marketing campaign increases perceived price fairness and purchase intentions.	Attributed company motives	company-cause fit, type of consumption situation, type of product CSR reputation, company-cause fit, timing of the cause-related marketing campaign in relation to a price increase	Cause-related marketing
The influence of price increases on consumer outcomes	Campbell (1999)	Experiments	Consumer inferences of the motive for a price increase and the inferred relative profit influence the perceived unfairness of the price increase.	Inferred motive for a price increase	Firm reputation	Social CSR
	Gielissen et al. (2008)	Online survey	Price increases are perceived as fairer if the seller is driven by a social motive rather than a profit motive.	n.a.	n.a.	Social CSR
	Mohr and Webb (2005)	Experiment	Price increases reduce purchase intentions while CSR engagement increases purchase intentions and improves company evaluations.	n.a.	Socially responsible consumer behavior, support for the CSR domain	Environmental and philanthropic CSR
The interaction of CSR and price increases on perceived price fairness	The present study	Experiments	Negative interaction of perceived CSR engagement and price increase on perceived price fairness	Perceived violation of price fairness expectations	CSR skepticism	Social CSR

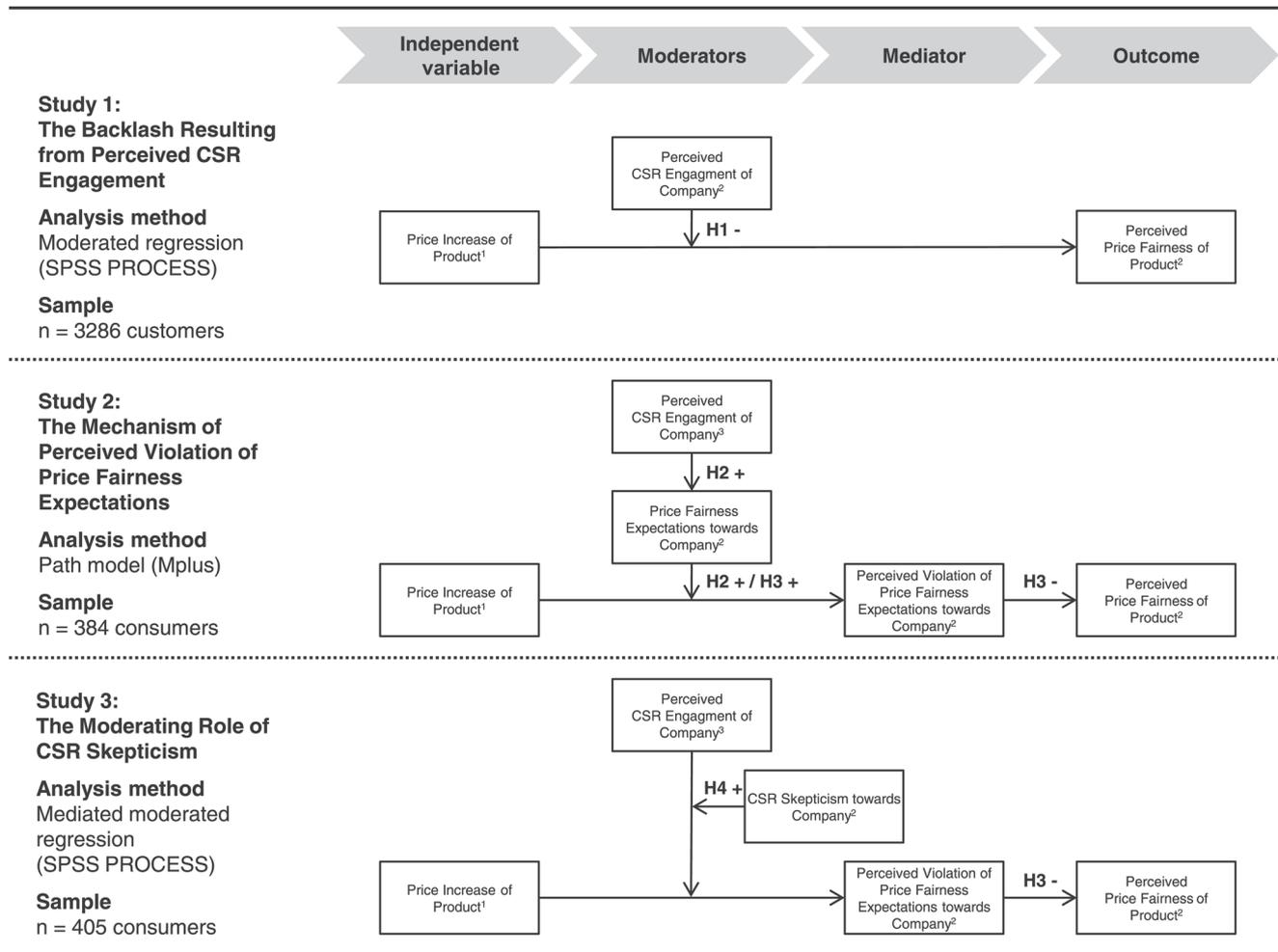


FIGURE 1 Conceptual framework and study roll-out. Notes. ¹ Manipulated, 0 = no price increase, 1 = price increase, ² measured on a seven-point scale, ³ manipulated, 0 = low CSR, 1 = high CSR

in general (Xia et al., 2004). Consumers also have fairness concerns pertaining to the practice of personalized pricing (Allender et al., 2021); however, when consumers knowingly allow a company to track their online behavior via cookies, they attribute the cause of the price change to themselves, and thus perceive a price increase as fairer (Schmidt et al., 2020).

Furthermore, consumers accept price increases as fair when they serve social goals (e.g., supporting social causes or ensuring that scarce resources are not wasted), as opposed to profit-maximizing goals (Campbell, 1999; Gielissen et al., 2008); or in the case of cause-related marketing campaigns, particularly if companies make high donations for social causes (Koschate-Fischer et al., 2016). Higher donations also increase consumers' willingness to pay for products associated with a cause-related marketing campaign, although the relationship is concave (Koschate-Fischer et al., 2012).

Thus, research exists on the interplay of perceived CSR engagement and price changes, especially in the domain of cause-related marketing. However, in the present study, we extend this body of research by focusing on perceived CSR engagement in the domain of social issues, which is not directly connected to a specific

cause-related marketing campaign. Thus, we are able to investigate how a company's more general CSR engagement influences consumers' expectations of a company as a fair player and, subsequently, price fairness perceptions. In the following, we detail our theoretical arguments and present our hypotheses.

3 | HYPOTHESES

Consumers rarely have complete information to form price fairness perceptions, and therefore base such perceptions on assumptions about the company (Gielissen et al., 2008). Cue-utilization theory explains this process. The theory suggests that judgments rest upon multiple characteristics of the individual's external environment, labeled *cues* (Slovic & Lichtenstein, 1971). Individuals utilize cues in almost every information processing situation (Purohit & Srivastava, 2001; Slovic & MacPhillamy, 1974), because they rarely have complete information available (Richardson et al., 1994).

We posit that perceived CSR engagement in the domain of social issues serves as a cue that signals the company's morality and

fairness (see Aguilera et al., 2007 for a similar proposition), and that this signal extends to the sphere of expected price fairness through a “fairness halo.” Such halo effects, in which a cue from one context affects perceptions in a related context, have been reported in various settings (e.g., Schuldt et al., 2012; Shiv et al., 2005), including a company's perceived CSR engagement (Chernev & Blair, 2015; Schuldt et al., 2012). For example, CSR claims focused on food manufacturing are associated with perceptions of the food's healthiness (Wei et al., 2018). Similarly, we expect that perceived CSR engagement in the domain of social issues has a particularly important role in affecting price fairness expectations, as it shows that the company is willing to benefit others beyond its own interests and legal obligations (McWilliams & Siegel, 2001) and is warm and ethical (Bhattacharya et al., 2021). In other words, the congruence between the domain of perceived CSR engagement (i.e., social issues) and the domain of the inference (i.e., price fairness expectations) can be conceived as high, which is likely to produce a strong halo effect (Wei et al., 2018).

We therefore propose that, upon observing that a company engages in CSR in the domain of social issues, consumers expect that the company's prices are also fair. Thus, when a company increases the prices of its products, consumers likely perceive that their expectations are violated and devalue price fairness. This proposition is similar to literature that finds that a scandal negatively affects consumer outcomes, particularly when consumers are aware of the company's CSR engagement in the same domain in which the scandal occurs (Güntürkün et al., 2019). Thus:

H1: Perceived CSR engagement in the domain of social issues intensifies the negative effect of a price increase on perceived price fairness. (Study 1)

Price fairness expectations play a key role in our previous argumentation because consumer responses to prices depend on the departure of observed prices from expectations (Shirai & Meyer, 1997). Furthermore, CSR engagement has the potential to influence consumer expectations towards a company (Bhardwaj et al., 2018; Bhattacharya et al., 2021). For example, CSR engagement increases consumer expectations of product quality, and if these expectations are violated, consumers evaluate products particularly negatively (Bhardwaj et al., 2018). Therefore:

H2: Perceived CSR engagement in the domain of social issues increases price fairness expectations which intensify the negative effect of a price increase on perceived price fairness. (Study 2)

Our previous argument that price increases violate elevated price fairness expectations is in line with expectancy disconfirmation theory (EDT; Oliver, 1977, 1980), which has been frequently applied to explain consumer satisfaction as a function of prior expectations and (dis)confirmation of these expectations (Oliver & Burke, 1999; Oliver, 1980). Similarly, we propose that perceived CSR engagement

is interpreted as a cue that leads consumers to build up high price fairness expectations. In case of a price increase, we propose that these expectations of fairness are negatively disconfirmed—in other words, violated, and as a result, perceived price fairness decreases. Accordingly:

H3: Perceived violation of price fairness expectations mediates the link between a price increase and perceived price fairness. That is, price fairness expectations positively moderate the effect of a price increase on perceived violation of price fairness expectations, which subsequently decreases perceived price fairness. (Study 2)

Finally, we examine CSR skepticism as an important boundary condition, as consumers are increasingly skeptical of companies' CSR efforts (Ham & Kim, 2020). Consumers who are highly skeptical of CSR are unlikely to form positive expectations based on companies' perceived CSR engagement, in line with the general definition of skepticism as “a person's tendency to doubt, disbelieve, and question” companies' CSR engagements (Skarmeas & Leonidou, 2013, p. 1832). Thus, while less skeptical consumers will be more prone to form positive expectations about price fairness, consumers with high levels of CSR skepticism will most likely critically evaluate the CSR information. Thus, they will be less likely to extrapolate the CSR information to form price fairness expectations. Consequently, price increases should violate their price fairness expectations to a lesser extent. Thus:

H4: The interactive effect of price increase and perceived CSR engagement on perceived price fairness via perceived violation of price fairness expectations is moderated by CSR skepticism in a way that the effect is stronger for consumers with lower levels of CSR skepticism than for those with higher levels. (Study 3)

4 | STUDY 1: THE BACKLASH RESULTING FROM PERCEIVED CSR ENGAGEMENT

4.1 | Methodology

4.1.1 | Experimental design and procedure

We conducted a between-subjects scenario experiment with a major, global furniture manufacturer and retailer. The retailer provided us with contact information of German customers, whom we invited to participate in our study via email. In total, 75,636 customers accessed the link to the questionnaire, and of these, 4191 responded to the questionnaire. The customers read a fictional scenario presented in [Supporting Information Appendix A](#) and were randomly allocated to a price increase condition or a no price increase condition. The customers then responded to a questionnaire in which we measured our focal constructs, control variables, demographics, as well as a manipulation check.

4.1.2 | Measurement

The price increase treatment was coded as a dummy variable (1 = price increase, 0 = no price increase). Furthermore, we measured perceived price fairness of the product using three items adapted from the existing literature (e.g., Bolton et al., 2010; Habel et al., 2016) and perceived CSR engagement using four items adapted from Du et al. (2010). Given that we collaborated with a retailer, we accounted for possible spillover effects from the retailer's general pricing strategies to customers' reactions toward the focal product (Janakiraman et al., 2006) by controlling for the customers' perceived price fairness of the retailer in general, employing the same items as for the perceived price fairness of the shelf, but related to the prices of the retailer (Habel et al., 2016). Furthermore, as consumers may assume that a price increase is related to an increase in product quality (Kardes et al., 2004), we controlled for perceived quality of the product with three items adapted from Dodds et al. (1991) and Sweeney and Soutar (2001). In addition, because the buyer-seller relationship influences perceived price fairness (Xia et al., 2004), and because self-relevant relationships and identification with a company influence consumer reactions to negative information about the company (Einwiller et al., 2006; Johnson et al., 2011), we controlled for loyalty and identification with the company. We measured loyalty using six items adapted from Homburg et al. (2009) and Zeithaml et al. (1996) and identification using five items adapted from Homburg et al. (2009). We provide the items and scale evaluation in [Supporting Information Appendix B](#).

4.2 | Results

4.2.1 | Manipulation check

We conducted a manipulation check to verify that the price increase manipulation was perceived as intended. Of the full sample, 905 customers did not answer the question, indicated that they did not know whether the price changed, or incorrectly indicated how the price had changed. These customers were excluded from the analysis. The final sample therefore comprises 3286 customers who had a mean age of 37.78 years ($SD = 10.49$, $n_{Age} = 1983$) and of which 76.50% were female ($n_{Gender} = 1995$). In total, 2910 customers responded to all items measuring our focal variables.

4.2.2 | Hypotheses testing

We report the correlations between the focal constructs in [Supporting Information Appendix C](#). We tested H1 with SPSS PROCESS Macro v. 3.4 (Hayes, 2018; Model 1 with 5000 bootstraps). We mean-centered the moderator (perceived CSR engagement) for the analysis and included perceived price fairness of the company, perceived product quality, loyalty, and identification as covariates. We found a significant negative interaction effect of perceived CSR engagement and price increase on perceived price fairness of the

product ($b = -0.06$, $p = 0.03$). Specifically, a price increase reduces perceived price fairness of the product at low ($b = -0.60$, $p < 0.001$), mean ($b = -0.68$, $p < 0.001$), and high ($b = -0.76$, $p < 0.001$) levels of perceived CSR engagement, with the result becoming increasingly pronounced as perceived CSR engagement increases. In this respect, high (low) levels of perceived CSR engagement are denoted by the variable's mean plus (minus) the standard deviation. A Johnson-Neyman test (Figure 2, [Supporting Information Web Appendix A](#)) further reveals that as perceived CSR engagement increases, a price increase has an increasingly pronounced negative influence on perceived price fairness. Thus, the results (Table 2) confirm H1.

4.3 | Discussion

Study 1 revealed that high levels of perceived CSR engagement amplify the negative effect of a price increase on perceived price fairness, thus confirming H1. In Study 2, we examine the underlying process of price fairness expectation formation and violation.

5 | STUDY 2: THE MECHANISM OF PERCEIVED VIOLATION OF PRICE FAIRNESS EXPECTATIONS

5.1 | Methodology

5.1.1 | Experimental design and procedure

To investigate the psychological mechanism underlying the negative interaction effect of a price increase and perceived CSR engagement, we conducted a scenario-based experiment. We allocated 384 German participants ($M_{Age} = 46.1$ years, $SD = 12.69$, $n_{Age} = 204$; 58.80% female, $n_{Gender} = 204$) acquired through a self-administered online consumer panel to a 2 (perceived CSR engagement: low vs. high) \times 2 (pricing: no price increase vs. price increase) between-subjects design. Of these, 303 participants responded to the items measuring perceived price fairness.

We employed a fictional scenario approach in an electronics retailing setting. Participants were instructed to imagine that they intended to purchase an electronic toothbrush. Participants then received information on the retailer's CSR engagement. Adopting the procedure from Shiv et al. (2005), we measured price fairness expectations towards the retailer before giving the participants any information about the company's prices. Subsequently, the participants learned whether the retailer had increased the price of the toothbrush or left it unchanged. The experimental materials are displayed in [Supporting Information Appendix A](#). Participants then provided responses to questions regarding our focal constructs, manipulation checks, and demographics. In [Supporting Information Web Appendix B](#), we report the results of an additional study, in which we rule out the possibility that the measurement of price fairness expectations between the perceived CSR engagement and pricing treatments induced demand effects.

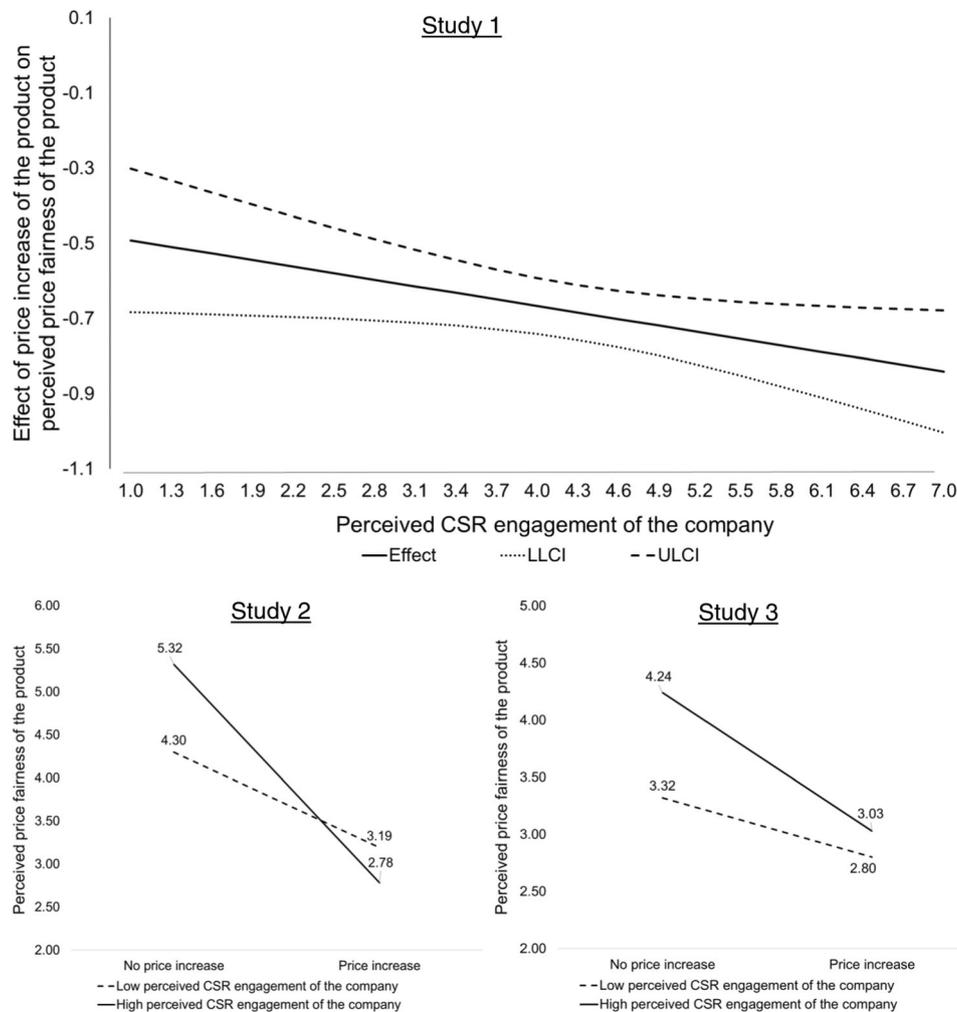


FIGURE 2 Interaction effect of perceived CSR engagement of the company and price increase of the product on perceived price fairness of the product. LLCI, 95% lower-level confidence interval; ULCI, 95% upper-level confidence interval

5.1.2 | Measurement

We operationalized the experimental treatments as dummy variables (0 = no price increase and 1 = price increase; 0 = low perceived CSR engagement and 1 = high perceived CSR engagement). We measured price fairness expectations with three items adapted from the existing literature (e.g., Bolton et al., 2010; Habel et al., 2016) and perceived price fairness of the product with the same three items as in Study 1. Furthermore, we measured perceived violation of price fairness expectations with three items based on Oliver (1980). We provide the items and scale evaluation in [Supporting Information Appendix B](#).

5.2 | Results

5.2.1 | Manipulation check

A manipulation check revealed a significant difference between the perceived CSR engagement treatment groups ($F(1, 200) = 134.21$, $p < 0.001$), such that perceived CSR engagement was higher in the high

perceived CSR engagement treatment group ($M = 4.44$, $SD = 1.33$) compared to the low perceived CSR engagement treatment group ($M = 2.22$, $SD = 1.47$). Moreover, we asked the participants whether the company changed the price of the focal product, with the options “increased” (coded as 1), “decreased” (coded as -1), and “did not change” (coded as 0). The price increase treatment worked as intended since most participants in the price increase condition perceived that the price had increased ($M = 0.97$, $SD = 0.16$) whereas most participants in the no price increase condition perceived that the price did not change ($M = 0.05$, $SD = 0.31$, $t(139.84) = -26.27$, $p < 0.001$). Of the participants, 46.88% ($n = 180$) did not respond to the manipulation checks, which is a limitation of this study. Nevertheless, the above statistics give us confidence that the manipulations worked as intended.

5.2.2 | Hypotheses testing

First, to replicate the results of Study 1, we ran a two-factor ANOVA, which yields support for H1 ([Supporting Information Web Appendix C](#) and [Figure 2](#)). Second, we introduced price fairness expectations

TABLE 2 Study 1: Results of the moderation analysis

	Hypotheses	Coefficient ^a	SE	t	LLCI	ULCI	Replication
Effects on perceived price fairness (product)							
Price increase (product)		-0.68***	0.04	-18.27	-0.75	-0.61	Study 2, 3
Perceived CSR engagement (company)		0.03 ^{n.s.}	0.02	1.21	-0.02	0.07	Study 2
Price increase (product) × Perceived CSR engagement (company)	H1: -	-0.06*	0.03	-2.12	-0.11	-0.00	Study 2, 3
Conditional effects of price increase on perceived price fairness (product) at different levels of perceived CSR engagement							
Low perceived CSR engagement (company)		-0.60***	0.05	-11.37	-0.71	-0.50	
Medium perceived CSR engagement (company)		-0.68***	0.04	-18.27	-0.75	-0.61	
High perceived CSR engagement (company)		-0.76***	0.05	-14.61	-0.86	-0.66	
Controlled effects on perceived price fairness (product)							
Perceived price fairness (company)		0.60***	0.02	28.81	0.56	0.65	
Perceived quality (product)		0.28***	0.02	15.43	0.25	0.32	
Loyalty (company)		-0.05 [†]	0.03	-1.95	-0.10	0.00	
Identification (company)		-0.03 [†]	0.02	-1.76	-0.08	0.00	

Abbreviations: LLCI, 95% lower-level confidence interval; SE, standard error; ULCI, 95% upper-level confidence interval.

^aUnstandardized coefficient.

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

[†] $p < 0.10$.

^{n.s.} $p > 0.10$.

TABLE 3 Study 2: Results of the moderated mediation estimation

Path	Hypotheses	Estimated coefficient	Replication
The effect of price increase (product) on perceived price fairness (product) via perceived violation of price fairness expectations (company)			
Price increase (product) → perceived violation of price fairness expectations (company)	H3: +	1.23*** (0.40)	Study 3
Perceived violation of price fairness expectations (company) → perceived price fairness (product)	H3: -	-0.50*** (-0.48)	Study 3
The formation of price fairness expectations (company)			
Perceived CSR engagement (company) → price fairness expectations (company)	H2: +	1.60*** (0.51)	
The moderating role of price fairness expectations (company)			
Price fairness expectations (company) → perceived violation of price fairness expectations (company)		-0.49*** (-0.50)	
Price increase (product) × price fairness expectations (company) → perceived violation of price fairness expectations (company)	H2/3: +	0.31*** (0.20)	
Controlled effects			
Price increase (product) → perceived price fairness (product)		-1.29*** (-0.40)	Study 1, 3
Price fairness expectations (company) → perceived price fairness (product)		0.20*** (0.20)	
Price increase (product) × price fairness expectations (company) → perceived price fairness (product)		-0.19* (-0.12)	
Perceived CSR engagement (company) → perceived price fairness (product)		-0.41** (-0.13)	Study 1
Perceived CSR engagement (company) → perceived violation of price fairness expectations (company)		-0.43** (-0.14)	Study 3

Notes. Unstandardized coefficients are shown, standardized coefficients in brackets.

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

[†] $p < 0.10$.

^{n.s.} $p > 0.10$.

and perceived violation of price fairness expectations into a path model (Table 3).⁴ We estimated this model using Mplus 7 (Muthén & Muthén, 2012). The model fits the data well (CFI = 1.00, TLI = 0.98, RMSEA = 0.05, SRMR = 0.03). In line with H2, perceived CSR engagement significantly increases price fairness expectations ($b = 1.60, p < 0.001$). Furthermore, as predicted in H3, the positive effect of a price increase on perceived violation of price fairness expectations is more strongly pronounced for high as compared to low price fairness expectations ($b = 0.31, p = 0.002$).

Moreover, we inspected the indirect effects of the price increase treatment dummy on perceived price fairness via perceived violation of price fairness expectations using Mplus 7. We estimated conditional indirect effects at different levels of price fairness expectations using a bootstrapping approach with 5,000 iterations (Preacher & Hayes, 2008). We initially calculated an index of moderated mediation (IMM; Hayes, 2015), which is negative and significant, indicating that higher levels of price fairness expectations may exacerbate the harmful indirect effect of a price increase on perceived price fairness through stronger perceived violation of price fairness expectations (IMM = -0.16 , 99% CI = $[-0.30, -0.01]$). Specifically, for the mean level of price fairness expectations, the indirect effect of a price increase on perceived price fairness via perceived violation of price fairness expectations is negative and significant ($b_{\text{indirect}} = -0.62$, 99% CI = $[-0.87, -0.36]$). In line with our predictions in H2 and H3, this negative indirect effect is more pronounced for high levels of price fairness expectations ($b_{\text{indirect}} = -0.86$, 99% CI = $[-1.231, -0.49]$) and less pronounced for low levels of price fairness expectations ($b_{\text{indirect}} = -0.37$, 99% CI = $[-0.68, -0.06]$). In this respect, high (low) levels of price fairness expectations are denoted by the variable's mean plus (minus) the standard deviation.

5.3 | Discussion of Study 2

This study verifies the psychological mechanism underlying the negative interaction effect between a price increase and perceived CSR engagement on perceived price fairness. Specifically, consumers build price fairness expectations based on perceived CSR engagement. When the company increases the prices of its products, consumers perceive a violation of their price fairness expectations which again reduces perceived price fairness. However, a potential limitation of Study 2 is that the price increase employed in our manipulation text (from €35 to €45) is relatively high and may be perceived as unrealistic. To account for this issue, in Study 3 we employ a moderate price increase while examining the role of CSR skepticism.

⁴Please note that our specification renders price fairness expectations a mediator, which moderates the effect of a price increase on perceived violation of price fairness expectations. In other words, price fairness expectations is an endogenous variable that serves as a moderator. This conceptualization is fully in line with prior studies (e.g., Habel et al., 2016; Lee & Huang, 2018).

6 | STUDY 3: THE MODERATING ROLE OF CSR SKEPTICISM

6.1 | Methodology

6.1.1 | Experimental design and procedure

To investigate whether the interactive effect of price increase and perceived CSR engagement on perceived price fairness is moderated by consumers' CSR skepticism (H4), we conducted a scenario-based online experiment in an eyewear retailing context on Prolific ($n = 408$ US consumers; $M_{\text{Age}} = 33.08$ years, $n_{\text{Age}} = 408$; 57.10% female, $n_{\text{Gender}} = 408$). We used a 2 (perceived CSR engagement: low vs. high) \times 2 (price: no price increase vs. price increase) between-subjects design and randomly allocated the participants to the experimental conditions describing a fictional purchase of sunglasses (Supporting Information Appendix A). The participants then responded to a questionnaire in which we measured our focal constructs, manipulation checks, and demographics.

6.1.2 | Measurement

We measured perceived price fairness of the product using the same items as in Studies 1 and 2, perceived violation of price fairness expectations with the same items as in Study 2, and perceived CSR engagement of the company (manipulation check) with the same items as in Studies 1 and 2. Finally, we measured CSR skepticism with four items adapted from Skarmeas and Leonidou (2013). We provide the items and the scale evaluation in Supporting Information Appendix B.

6.2 | Results

6.2.1 | Manipulation checks

We asked the participants whether the company changed the price of the sunglasses. Three participants answered this question incorrectly and were excluded from the analyses, resulting in a sample of $n = 405$ participants. With this sample, we tested for the success of the perceived CSR engagement manipulation. The results reveal a significant difference in perceived CSR engagement between the CSR treatment groups ($F(1, 401) = 287.64, p < 0.001$), such that perceived CSR engagement is higher in the high perceived CSR engagement treatment group ($M = 4.45, SD = 1.46$) compared to the low perceived CSR engagement treatment group ($M = 2.04, SD = 1.40$).

6.2.2 | Hypotheses testing

The correlations of the focal constructs are presented in Supporting Information Appendix C. As a first step, to replicate the results of

the previous studies, we ran a two-factor ANOVA. Results again confirm H1 (see Supporting Information Web Appendix D and Figure 2). Second, to elucidate the three-way interaction of the perceived CSR engagement and price increase dummies and CSR skepticism on perceived price fairness, we employed SPSS PROCESS Macro v. 3.4 (Hayes, 2018; Model 3 with 5000 bootstraps). The results reveal a marginally significant positive three-way interaction of perceived CSR engagement, price increase, and mean-centered CSR skepticism on perceived price fairness ($b=0.36, p=0.09$).

We proceeded to testing the mediating role of perceived violation of price fairness expectations (Model 11 with 5000 bootstraps). The results reveal a significant negative interaction of perceived CSR engagement, price increase, and mean-centered CSR skepticism on perceived violation of price fairness expectations ($b=-0.54, p=0.01$), such that, when perceived CSR engagement is high, a price increase leads to higher levels of perceived violation of price fairness expectations when CSR skepticism is low (i.e., one standard deviation below the mean; $b=1.48, p<0.001$) or medium (i.e., mean level; $b=0.64, p=0.004$), but not when CSR skepticism is high (i.e., one standard deviation above the mean; $b=-0.19, p=0.62$). In the low perceived CSR engagement condition, a price increase does not have an influence on perceived violation of price fairness expectations at any level of CSR skepticism. A Johnson–Neyman test (Figure 3) further reveals that the interaction of perceived CSR engagement and price increase on perceived violation of price fairness expectations is positive and significant until CSR skepticism takes the value of 4.54, and thereafter turns nonsignificant.

Furthermore, a significant index of moderated moderated mediation ($IMMM=0.38, 95\% CI=[0.07, 0.69]$) reveals a three-way interaction of a price increase, perceived CSR engagement, and CSR skepticism on perceived price fairness, mediated by perceived violation of price fairness expectations. Specifically, in the high perceived CSR engagement condition, a price increase has a negative indirect effect on perceived price fairness via perceived violation of price fairness expectations when CSR skepticism is low ($b_{indirect}=-1.06, 95\% CI=[-1.41, -0.70]$) or medium ($b_{indirect}=-0.46, 95\% CI=[-0.78, -0.14]$), but not when CSR skepticism is high ($b_{indirect}=0.14, 95\% CI=[-0.40, 0.66]$). However, in the low perceived CSR engagement condition, a price increase does not have an indirect effect on perceived price fairness via perceived violation of price fairness expectations at any level of CSR skepticism. Thus, the results (Table 4) support H4. Finally, the model replicates the results of Study 2 regarding the negative effect of perceived violation of price fairness expectations on perceived price fairness of the product ($b=-0.71, p<0.001$).

6.3 | Discussion of Study 3

The results indicate that for consumers who are highly skeptical of a company's perceived CSR engagement, the CSR halo, which triggers higher price fairness expectations, does not occur. Highly skeptical customers tend to expect lower price fairness from the company engaged in CSR, indicated by the fact that a price increase does not violate their price fairness expectations. Thus, ironically, having highly skeptical customers might prevent companies from experiencing a

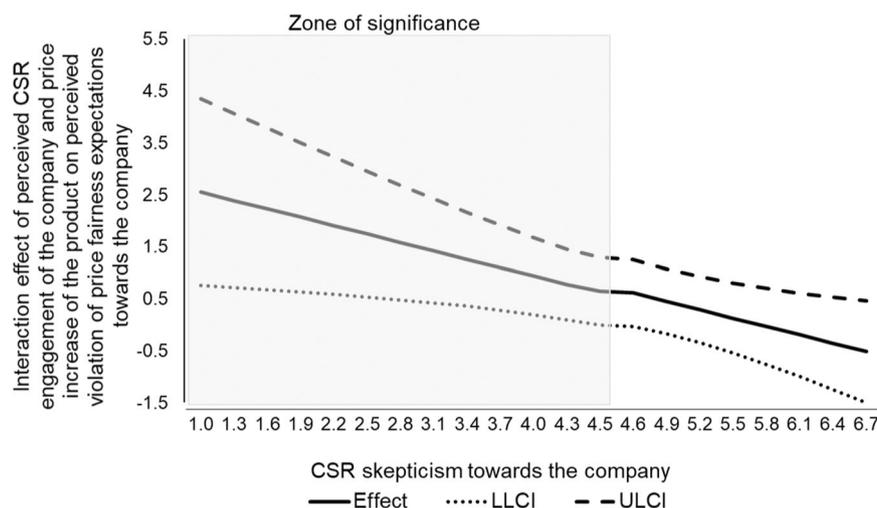


FIGURE 3 Study 3: Interaction effect of perceived CSR engagement of the company and price increase of the product on perceived violation of price fairness expectations towards the company at different levels of CSR skepticism towards the company. Notes: “Zone of significance” refers to the levels of CSR skepticism towards the company, at which there is a significant interaction effect of perceived CSR engagement of the company and price increase of the product on perceived violation of price fairness expectations towards the company. The interaction effect is significant when CSR skepticism towards the company takes values between 1.00 and 4.54 and turns nonsignificant at higher values of CSR skepticism towards the company. LLCI, 95% lower-level confidence interval; ULCI, 95% upper-level confidence interval

TABLE 4 Study 3: Results of the moderated mediation estimation

Effects	Hypotheses	Coefficient ^a (SE)	t	LLCI	ULCI	Replication
Effects on perceived violation of price fairness expectations (company)						
Price increase (product)	H3: ^{n.s.}	0.21 ^{n.s.} (0.22)	0.93	-0.23	0.65	Study 2
Perceived CSR engagement (company)		-0.15 ^{n.s.} (0.23)	-0.66	-0.59	0.30	Study 2
Perceived CSR engagement (company) × price increase (product)		0.44 ^{n.s.} (0.32)	1.37	-0.19	1.06	
CSR skepticism (company)		0.53 ^{***} (0.11)	4.99	0.32	0.73	
Price increase (product) × CSR skepticism (company)		-0.04 ^{n.s.} (0.15)	-0.23	-0.34	0.27	
Perceived CSR engagement (company) × CSR skepticism (company)		0.01 ^{n.s.} (0.15)	0.07	-0.29	0.31	
Perceived CSR engagement (company) × price increase (product) × CSR skepticism (company)		-0.54 [*] (0.22)	-2.47	-0.97	-0.11	
Conditional effects of price increase (product) on perceived violation of price fairness expectations (company) at different levels of CSR skepticism and perceived CSR engagement (company)						
Low CSR skepticism (company): low perceived CSR engagement (company)		0.26 ^{n.s.} (0.38)	0.68	-0.49	1.01	
Medium CSR skepticism (company): low perceived CSR engagement (company)		0.21 ^{n.s.} (0.22)	0.93	-0.23	0.65	
High CSR skepticism (company): low perceived CSR engagement (company)		0.16 ^{n.s.} (0.23)	0.67	-0.30	0.62	
Low CSR skepticism (company): high perceived CSR engagement (company)		1.48 ^{***} (0.24)	6.29	1.02	1.94	
Medium CSR skepticism (company): high perceived CSR engagement (company)		0.64 ^{**} (0.22)	2.89	0.20	1.09	
High CSR skepticism (company): high perceived CSR engagement (company)		-0.19 ^{n.s.} (0.39)	-0.50	-0.95	.57	
Effects on perceived price fairness (product)						
Price increase (product)		-0.42 ^{***} (0.10)	-4.18	-0.62	-0.22	Study 1, 2
Perceived violation of price fairness expectations (company)	H3: -	-0.71 ^{***} (0.03)	-22.39	-0.78	-0.65	Study 2
Conditional indirect effects of price increase (product) on perceived price fairness via perceived violation of price fairness expectations (company) at different levels of CSR skepticism and perceived CSR engagement (company)						
Low CSR skepticism (company): low perceived CSR engagement (company)		-0.18 (0.30)	-	-0.78	0.40	
Medium CSR skepticism (company): low perceived CSR engagement (company)		-0.15 (0.17)	-	-0.48	0.18	
High CSR skepticism (company): low perceived CSR engagement (company)		-0.11 (0.16)	-	-0.43	0.21	
Low CSR skepticism (company): high perceived CSR engagement (company)		-1.06 (0.18)	-	-1.41	-0.70	
Medium CSR skepticism (company): high perceived CSR engagement (company)		-0.46 (0.16)	-	-0.78	-0.14	
High CSR skepticism (company): high perceived CSR engagement (company)		0.14 (0.27)	-	-0.40	0.66	
Index of moderated moderated mediation	H4: +	0.38 (16)	-	0.07	0.69	

Abbreviations: LLCI, 95% lower-level confidence interval; SE, standard error; ULCI, 95% upper-level confidence interval.

^aUnstandardized coefficient.

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

[†] $p < 0.10$.

^{n.s.} $p > 0.10$.

CSR-induced backlash in the case of price increases. These findings confirm our theoretical arguments.

7 | GENERAL DISCUSSION

7.1 | Theoretical and managerial contributions

This article investigated the idea that a company's perceived CSR engagement in the domain of social issues may exacerbate the negative effect of a price increase on consumers' perceived price fairness. Our findings contribute to literature on CSR and behavioral pricing in four ways. *First*, we extend previous literature on halo effects (Chernev & Blair, 2015; Schuldt et al., 2012) by revealing that perceived CSR engagement elevates consumers' price fairness expectations. We contribute also more generally to CSR research, which has shown a positive effect of CSR engagement on perceived price fairness (Carvalho et al., 2010; Habel et al., 2016), by revealing the negative interactive effect of perceived CSR engagement and a price increase. *Second*, the finding that perceived CSR engagement raises consumers' price fairness expectations entails implications for research on consumers' mental processes in response to perceived CSR engagement (e.g., Aguinis & Glavas, 2012; Yoon et al., 2006). Interestingly, extant CSR literature clarified that consumers increasingly expect companies to engage in CSR (Wagner et al., 2009) but did not investigate the specific fairness expectations consumers construe in response to perceiving CSR. We contribute to this literature field by underlining that perceived CSR engagement may increase price fairness expectations.

Third, we contribute to the behavioral pricing literature which has significantly advanced the understanding of combined effects of companies' perceived CSR engagement and price changes—however, primarily focusing on cause-related marketing (e.g., Andrews et al., 2014; Koschate-Fischer et al., 2012, 2016). Prior research provided seminal findings on the effects of price increases on perceived price un-/fairness and highlighted that contextual information might shape consumers' reactions to price increases (e.g., Campbell, 1999, 2007; Homburg et al., 2005). We contribute to this literature by establishing perceived CSR engagement as a contextual influence in shaping consumer reactions to price increases. Our *fourth* contribution pertains to research differentiating between the role of companies as market actors and social actors as perceived by consumers (e.g., Aaker et al., 2010; Grayson, 2007; Heide & Wathne, 2006). From this perspective, perceived CSR engagement might be conceived as companies' actions in the social domain while pricing decisions might be perceived as companies' actions in the market domain. This study stream suggests that companies should be careful when mixing activities from the market and social domains as consumers may view this as a transgression (Fiske & Tetlock, 1997; Grayson, 2007). Our findings support this notion since we show that fairness in the social domain (implied by CSR engagement in the domain of social issues) cannot compensate for companies' perceived unfair behavior in the market domain (implied by a price increase).

Rather, creating a fair image in the social domain fosters high consumer expectations of fair behavior in the market domain.

Eventually, for companies our findings implicate that CSR engagement may be associated with “hidden costs,” because it induces consumers to expect fairer prices, entailing less favorable price fairness perceptions when prices increase. Managers should ensure fair pricing and prevent companies' CSR images from leading to elevated consumer price fairness expectations. They may succeed by decoupling their company's CSR image from price fairness expectations through communications that clarify the distinction between the company's social and market actions or by transparently explaining pricing procedures to consumers.

7.2 | Limitations and future research directions

Our studies' limitations open avenues for future research. *First*, future studies could investigate further contingencies of the interaction effect of perceived CSR engagement and a price increase on perceived price fairness. For example, given that a price increase is less likely to decrease perceived price fairness if the price increase is justified by an increase in costs (Kahneman et al., 1986), future studies might complement the manipulation of price increase with a justification. Furthermore, future studies could extend our findings to brands which have long-standing reputations as leaders in CSR, such as Patagonia and Stella McCartney, as consumers might accept price increases more readily from such brands. Future studies could also complement the present research by comparing CSR engagement in different domains, such as environmental protection and business process responsibility.

Second, the concept of distributive justice could provide an alternative lens to the interpretation of our results. That is, consumers might perceive that the price of a product could be lower if a company did not allocate its financial resources to CSR engagement (Habel et al., 2016). Thus, consumers may perceive that a company is financing its CSR engagement by increasing its prices which could consequently reduce the cost–benefit ratio of purchasing the company's products and ultimately lead to lower perceived price fairness (Habel et al., 2016). We encourage future studies to investigate this alternative explanation to our results.

Third, the dependent variable in our framework, perceived price fairness, carries limitations that should be addressed in future research. First, it reflects consumers' perceptions rather than behavior. Future research should extend our framework by including consumer behavior variables, such as purchase volume. Second, additional factors might influence perceived price fairness which are beyond the control of the present study (e.g., disposable income). Future studies should extend our framework by accounting for such factors.

ACKNOWLEDGMENTS

The preparation of this manuscript was supported by the Academy of Finland, grant number 338343.

CONFLICTS OF INTEREST

The authors declare no conflicts of interest.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

How to cite this article: Sipilä, J., Alavi, S., Edinger-Schons, L. M., Müller, U., & Habel, J. (2022). Corporate social responsibility and perceived fairness of price increases. *Psychology & Marketing*, 1–15.
<https://doi.org/10.1002/mar.21656>