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## **THE PRICE OF SOCIAL RESPONSIBILITY: DOES INFLATION EXPECTATION APPLY?**

**An approach to Corporate Social Responsibility competitive value**

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Master in Business Economics and Competition

Supervisor:

Nelson Campos Ramalho, Associate Professor, ISCTE -  
University Institute of Lisbon

Department of Human Resources and Organizational  
Behaviour | ISCTE Business School

September, 2023



**BUSINESS  
SCHOOL**

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Department of Economics

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## Resumo

A responsabilidade social das empresas (RSE) tem vindo a afirmar-se como um imperativo ético e de negócios dada a migração dos mercados para o consumo sustentável. Assim, as empresas têm procurado associar à sua marca a ideia de responsabilidade social, com o intuito (também) instrumental de alavancar o valor de marca e o seu retorno. Porém, esta investigação tem sido conduzida sobretudo em contextos económicos de relativo bem-estar em que a estabilidade económica marca as expectativas dos consumidores. Os eventos recentes vieram desafiar esta estabilidade sob a forma de inflação e um outlook negativo quanto ao poder de compra. Assim, coloca-se a questão de saber em que medida as mais-valias associadas a uma marca socialmente responsável perduram neste novo contexto. Este estudo procura compreender em que medida os consumidores apresentam disponibilidade para pagar um preço *premium* por produtos de empresas socialmente responsáveis considerando as expectativas de inflação e poder de compra como condições de fronteira.

Com uma amostra de 141 consumidores de café, o estudo testa um modelo de mediação moderada que liga a responsabilidade social da marca à intenção de pagar *premium* através do valor de marca, enquanto testa o efeito de interação que a expectativa de inflação e de poder de compra exercem nesta mediação.

Os resultados sugerem que a mediação é efetiva, e que persiste mesmo quando as expectativas inflacionistas e/ou perda de poder de compra são observadas. Estes resultados são discutidos à luz da teoria e as suas implicações derivadas no domínio teórico e aplicado.

**Palavras-chave:** inflação, disponibilidade para pagar preço *premium*, Responsabilidade Social Empresarial (RSE), equidade da marca;

**JEL Classification System:** D84, M14, M21, P24

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## **Abstract**

CSR has become an ethical and business imperative given the migration of market towards sustainable consumption. Hence, companies have been endeavoring to associate their brands to social responsibility, intending (also) to instrumentally leverage their brand equity and return. However, this research has been mainly deployed in socio-economic contexts of relative well-being in which economic stability has been the watermark as regards consumers' expectations. Recent events challenged this economic stability in the form of inflation and a negative outlook as regards purchasing power. Thus, we asked to which extent the added value attached to a socially responsible brand persists in this new context. This study is design to understand how extensively consumers are available to pay premium price for products of socially responsible companies, when considering their inflation expectations as well as their purchasing power expectations as boundary conditions.

With a sample of 141 coffee consumers this study tests a moderated mediation model that links CSR brand to the intention to pay premium via Brand equity, while testing the interaction effect that expected inflation and purchasing power changes have on this mediation.

Findings suggest the mediation is effective and that it endures even when the inflationary expectations and the purchasing power loss are observed. These findings are discussed at the light of theory and their implications drafted as regards both the theoretical and applied domains.

**Key Words:** inflation, willingness to pay a premium price, Corporate Social Responsibility (CSR), brand equity;

**JEL Classification System:** D84, M14, M21, P24

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## **List of Acronyms**

**CSR** - Corporate Social Responsibility

**WTPP** - Willingness To Pay Premium Price

**IMF** - International Monetary Fund

**GDP** - Gross Domestic Product

**ROA** - Return On Assets

**IE** - Inflation Expectations

**PPC** - Purchasing Power Changes

**EEA** - European Economic Area

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## 1. INTRODUCTION

CSR has been one of the emerging topics in business, politics, research, and all domains of societal interest as it pertains to the critical feature of business that affects the entire society (Wickert, 2021). The fundamental debate on CSR dates back centuries when Adam Smith alongside writing of the *Wealth of Nations*, published the “Theory of Moral Sentiments” (Dwyer, 2005), that somehow highlights the need to balance driving efficiency forces with the legitimate interest of society in guaranteeing such drivers do not succeed at the expense of the moral and ethics that the society cherishes.

Albeit many companies have been accused of CSR branding without really having a truthful investment in CSR (just for market leverage purposes) the overall trend is that of a global adoption of CSR especially in the western developed economies. In these societies there is an upsurge of consumer demand on social responsibility (Hartmann et al., 2023) and a rising concern with ecological sustainability (Sodiq et al., 2019) with an almost mandatory search for norms or certifications such as SA8000, ISO 14001 or ISO26000 (Social Accountability International, 1997; International Organization for Standardization, 2010; International Organization for Standardization, 2015). Still, there is convergence in literature that, independently of the true intentions of companies in adopting CSR practices, it does add value to society and the companies themselves (Barauskaite et al., 2021; Nave & Ferreira, 2019; Sitaloppi et al., 2021). This justifies why constructs such as “CSR brand” or “CSR branding” gained so much interest lately, as they have been related to higher CSR value (e.g. Gilal et al., 2021) and some proxies of companies profitability such as willingness to pay premium price (e.g. Diallo et al., 2021) or an enhanced engagement and loyalty with businesses and/or brands (e.g. Martínez & Del Bosque, 2013).

The advocates of CSR tend to prescribe it universally as if it always entails benefits to those involved but, a closer look to the nature of business has long highlighted the dependencies of the market conditions. Likewise, it also depends on the individual behavioural dimensions that operate in consumer decisions (e.g. Long-term orientation, as tested by Diallo et al., 2021).

This is an example of a case where any prescription about which practices bring better results must take into account the context perceived by the individuals themselves (as the behavioural economics has made clear, McQuillin & Sugden, 2012) but also where business

operate. One such major dimension of context is the Economics and the economic outlook. This idea of outlook is deeply rooted on the idea of expectations that have been one of the motivators of Keynes' General Theory and since then has occupied a central stage in Economics Theory (Rivot, 2020). Expectations are thus a factor that should be considered when explaining e. g. consumer behavior (Pinquart, 2021). As regards CSR brand and brand equity, there is no reason to think it will be an exception to this rule. Therefore, extant models that have further refined how CSR brand leads to better profitability started to count on interaction effects from this sort of variables, namely, their psychological counterpart expressed as individual perceptions. Thus, we believe there is a research gap in this domain as the subjective expectations consumers' hold about inflation and purchasing power changes have not yet been accounted in CSR based models intended to explain its added value to companies. This is the motivation for the current research.

This study will firstly build upon literature to clarify the concept, evolution, and importance of CSR for companies, its expression and CSR brand and Brand equity. The importance of inflation expectations at the individual psychological level together with concomitant purchasing power changes, to propose a moderated mediation conceptual model that adds to extant literature. This study will then show the methodological choices that allow to test the proposed conceptual model and show results, discuss them, and conclude based on the reviewed literature.

### **1.1. Contextualization and definition of the research problem**

Research focused on the economic value brought by CSR has been surfacing to sustain its positive contribute (Boccia & Sarnacchiaro, 2018; Wang, et al., 2015). The explanatory mechanisms involve a differential brand equity associated with CSR that leads to favourable purchase intentions of products and services of those companies that are known to be socially responsible (Boccia & Sarnacchiaro, 2018). In an effort to detail the causal nexus linking the chain from CSR to purchase intention, longer mediation processes have been explored (e. g. Bianchi et al., 2019).

This line of study has recently witnessed a theoretical development by introducing context effects on this CSR-purchase preference relationship. For example, Diallo et al. (2021) in a paper published in the Journal of Business Ethics, tested the moderated mediation effect of long-term orientation upon the relationship between brand CSR and willingness to pay



premium price (WTPP) via brand equity to find such interaction is significant. This approach allows to shift from universal explanatory models to more complex models able to depict contingencies. In this case, the CSR effect depends on the customer's time-orientation. Similar studies have been published but focusing on the moderation effect of other sort of behavioural variables such as locus of control (Toti, et al., 2021).

Within this line of research, the focus on internal psychological variables (such as time orientation or locus of control) has not yet considered some important individual perceptions of economic variables that may impact purchase decisions. Namely, perceived inflation and expectations about purchasing power changes in the near future (Georganas et al., 2014). Such expectations are known to affect the economic agent/consumer decision (Malmendier, 2021; Rossmann, 2019) as negative expectations about the value of money and the eventual loss of purchasing power may be detrimental or not to the willingness to pay premium price for some socially valued feature, such as CSR.

We believe the near future time is ripe for this study due to the inflation perspectives and the enduring pressure upon household available income it will entail (IMF, 2022).

## **1.2. Clarification on the study's pertinence**

Boundary conditions (i. e. moderator variables) have long been introduced in explanatory models that entail behaviour, covering a wide range of domains of social and organizational science (e.g. leadership, e.g. Ayman, 2004), organizational theory (e.g. Van de Ven et al., 2013), and venture performance (e.g. Ambos & Schlegelmilch, 2007). This effort is justified because by considering contextual variables than may operate as boundary conditions, researchers are moving towards a closer-to-reality understanding on phenomena.

The present study is in line with this effort by exploring two variables (inflation expectations and expected change in purchasing power) that add to our understanding on how CSR Brand may lead to a willingness to pay premium price (WTPP). This is a reason for this study's theoretical relevance. Likewise, from the applied perspective, the study adds value to managerial decisions pertaining to the investment on CSR branding as a means to uphold premium pricing because under the current situation (high inflationary perspectives and a likely loss of household purchasing power) the most likely is that such expected return from CSR branding should be levelled down or conversely, the expected harshness of the incoming future

may make more salient the goodness of intangible assets such as CSR. The ultimate consequence of this dynamics (in case our hypotheses are found to have empirical support) is a plausible disinvestment in CSR brand which is a drawback linked to an overall downgrade of the market. Conversely, one may just as well find that CSR becomes more central in a time consumers believe they will be short of money and gain awareness about how to still have a positive impact.

### **1.3. Objective**

This study will deploy a quantitative analysis of a conceptual model based on Diallo et al. (2021) to include perceived inflation and expected purchasing power changes as moderators, i. e. as variables that can change the effect CSR may have on purchase intention. In this way, this study adds to extant knowledge by highlighting the perspective from behavioural economics (Rötheli, 2020) and its objective can be defined as: testing the double interaction effects between expected inflation and expected purchasing power change, with CSR brand to explain the willingness to pay premium price via the mediation role of brand equity.

## **2. LITERATURE REVIEW**

### **2.1. Corporate Social Responsibility**

#### **2.1.1. Towards a definition of CSR**

Although the relevance of CSR in management is relatively recent, the concept of CSR itself has been circulating since the late 19<sup>th</sup> century when philanthropy combined with the notable deterioration of working conditions in society led companies to rethink their business model (Husted, 2015). Companies at the time then began to donate to community causes or even reduce the number of working hours forming the foundations of CSR.

However, the term CSR has not been applied until 1953 when the American economist Howard Bowen published "Social Responsibilities of the Businessman". In his book Bowen identified the power of business and recognised that their actions had a considerable impact on society, adding that businessmen had an obligation to adopt beneficial policies for the common good.

CSR is a concept with a growing importance in the management of organizations (Bénabou & Tirole, 2010) and it has been increasingly impacting on society and companies over the last few decades (Palihawadana et al., 2016). Although this is evident, it is not so clear what exactly this concept entails.

In general, CSR expresses the idea that a company should generate a positive contribution to society, considering the environment and the social impact of its business decisions (Boulouta & Pitelis, 2014). It is therefore a concept closely to sustainability (Ashrafi et al., 2018) sharing some of its fundamentals (Nguyen et al., 2020). In line with this the international standard ISO26000:2010 states that CSR "provides guidance to those who recognise that respect for society and the environment is a critical success factor" (International Organization for Standardization, 2010). In a more detailed manner, the European Commission (2011, p.6) defined CSR as "the responsibility of enterprises for their impacts on society", adding:

"Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of maximising the creation of shared value for their owners/shareholders and for their

other stakeholders and society at large and/or identifying, preventing and mitigating their possible adverse impacts” (p.6).

This is, in our view, a suitable definition as it comprehends the multiple fundamental dimensions of CSR namely the environmental, social, and economic.

### 2.1.2. Why CSR matters for companies

CSR brings a multitude of benefits not only to society but also to the companies themselves which invests in these policies. In Portugal, for example, it is common to see companies in the energy sector sponsoring and promoting sporting events such as marathons, financial institutions awarding scholarships or companies in the manufacturing industry promoting pro-environmental actions. There is no single correct way to practice CSR and any activity that benefits society in general can be considered a socially responsible action.

In an article published in the *Harvard Business Review*, Porter and Kramer (2006) identified four predominant justifications for practicing social responsibility actions, these being moral obligation, license to operate, sustainability, and reputation. Regardless of their motivations CSR presents itself as a source of competitive advantage (Barauskaite & Streimikiene, 2021) and companies have several benefits with this practice such as company attractiveness, image, and reputation (Streimikiene et al., 2021), reduced employee turnover, ensure customer loyalty and investor friendliness and bring economic benefits by affecting positively the company's financial performance and market value (Barauskaite & Streimikiene, 2021).

One of the reasons why CSR matters for companies relates with its signalling function. Investors can interpret CSR as a signal of goodwill and this plays a key role when it comes to company attractiveness and investment decisions by potential investors (Lin et al., 2021). Previous studies show that companies with better CSR performance are more likely to get the desired and necessary external investment for their activities (Cheng et al., 2014; Ghoul et al., 2017) stated CSR scores correlate with equity financing cost. This is especially true for firms with improved responsible employee relations, environmental policies, and product strategies.

As early as the 1990s, Graves and Waddock (1994) stated that there is a positive relationship between institutional investors' stock preferences and socially responsible

organisations, suggesting that this preference is due to the long-term performance of these investments. Cox et al. (2004) later came to the conclusion that a firm's social performance can be seen as a significant determinant of the firm's exposure to long-term risks, adding that investors with a long-term view may exclude firms with poor social performance from their portfolios as they present an increased risk exposure that may, in the long run, lead to poor financial performance. But the importance of CSR is not merely due to its effects on society and investors' choice and return. The most central explanatory mechanism lies in consumers.

### 2.1.3. CSR as a requisite of consumers

This study has previously noted that CSR corresponds to business practices that make a positive contribution to society, supporting economic, social and environmental sustainability (Boronat-Navarro & Pérez-Aranda, 2019), also contributing to the achievement of a competitive advantage and company performance (Barauskaite & Streimikiene, 2021; Carroll & Shabana, 2010).

All of this is not truly possible (or sustainable) without considering the role of consumers. It is on consumers' preferences and knowledge about firms and products, that CSR becomes a differentiating factor, an asset or, conversely, a liability (from the instrumental point of view).

The perceived value of CSR depends on the stakeholders who are, in a way, evaluating its actions (Jamali, 2008; Jones et al., 2017). In line with this, consumers are the most important stakeholders in this evaluation (Jones et al., 2017; Maignan et al., 2005) and those who can have the greatest effect on the management of companies. In this regards, Boronat-Navarro and Pérez-Aranda (2019) claimed that:

“An examination of consumers' perceptions of the relevant CSR actions and how these perceptions affect consumers' intended future behaviour and evaluations can help firms understand the importance of introducing CSR practices. Moreover, appropriate choices of CSR activities can contribute to firms' competitiveness and to the overall impact of CSR on society if stakeholders support these actions and legitimate these companies' behaviour”. (p.2)

Consumers seek social and environmental responsibility attributes in certain products, mainly in the food sector (Del Giudice, 2018). This author found that as far as environmental sustainability is concerned, consumers show preference for responsible products or brands over

others which do not show such concern, with younger consumers being willing to pay a higher price for this.

If an organisation is involved in ethical activities such as CSR initiatives, its stakeholders, especially customers, will experience more satisfaction and more loyalty, making CSR initiatives as an influential factor upon customer satisfaction and purchase intention (Islam et al., 2021).

It is, therefore, not surprising that in recent years, there has been a shift from CSR to a social purpose (Wang et al., 2016), i. e. many companies have moved from having a community investment strategy and a 'nice to have' mentality to adopting a holistic approach in which their mission is embedded in everything they do (Haski-Leventhal, 2021). Customers are increasingly looking for responsible behaviour from the companies they buy products or services from, regardless of their business areas (Raza et al., 2020) and therefore CSR is currently taken as a “must have” and ingrained in the company’s DNA.

This situation is, on the one hand, not universal, as reported by Maignan (2001) when comparing American with European (French and German) consumers valuation of CSR dimensions, finding that US consumers value economic responsibility over other considerations while European consumers value legal compliance and ethics. Other striking contrasts seem to exist between developed and developing countries due to GDP growth and purchasing power as inferred from Nekmahmud and Fekete-Farkas (2020) statement on the aftermath of GDP growth in Bangladesh (in the 2009-2019 period) which translated into higher quality of life, more income and expenditure:

“... people are conscious of the environment and are becoming interested in buying environmentally friendly or green products”. (p.2)

This is in line with the idea that pricing of e.g. green products is an important barrier to its purchasing when individuals are not financially well off. Therefore, CSR has a premium price that consumers might not be willing to pay, or actually, might not be able to afford.

#### 2.1.4. CSR branding

Alongside with the sheer willingness to act ethically, companies are obviously aware of the advantages CSR can offer them for which they take a strategic approach to CSR branding (Polonsky & Jevons, 2009).

Much like the concept of CSR, CSR branding refers to a strategy based on stakeholders and for the benefit of social and environmental well-being (Kotler, 2001). According to this strategy a company seeks the differentiation of its products and/or services from its competitors by making it attractive to consumers with social, environmental concerns or both (Lindgreen et al., 2012). However, some firms may also go beyond practicing social responsibility activities and seek to establish their brands as socially responsible (i.e., they seek to establish a CSR Brand) (Du et al., 2007).

To achieve this, some companies get involved in community causes such as Whole Foods Market, a supermarket chain in the United States which, according to Du et al. (2007) presents as a value "caring about our communities and our environment". Likewise, the Swedish car manufacturer Volvo, according to Muniz et al. (2019), created the "Corporate Citizenship Scorecard" to keep track of the group's social responsibility progress that targets several social and environmental areas such as health, diversity inclusion, reduction of harmful emissions, energy consumption management in car production. In Portugal there are already several companies that identify themselves as socially responsible, and Delta, the coffee roasting brand of the Grupo Nabeiro, is one of the most prominent among them. According to the company's website, Delta's vision of "developing the communities where we operate has been a constant and manifests itself in several ways: investment in infrastructure to meet latent needs, corporate volunteering, sponsorship and support" ("Responsabilidade Social", n.d.) and the creation of a workshop for coffee machines, mills and dishwasher machines for restaurants, promoting the insertion of inmates in their activity, providing them with the necessary training through a protocol with the Lisbon prison establishment ("Inclusão de Reclusos", n.d.).

Independently of the motives that lead companies to invest in CSR, even when they do not seek a financial return, the market will still react the same and provide such financial return. Therefore, no company gains from being insensitive to this topic.

### 2.1.5. CSR as a strategy to leverage profitability

Recent literature has tested how increases in CSR practice relates with firm performance and hence profit. In the post-recession period around 2007-2008 it was found that increases in CSR can be associated with higher profits (ROA), improved efficiency (asset turnover) and improved market valuation (Tobin's Q) (Walker et al., 2016). Findings that are also consistent with past literature (Ambec & Lanoie, 2008; King & Lenox, 2001; Margolis & Walsh, 2003; Orlitzky et al., 2003).

## 2.2. Brand Equity

On the basis that brand equity helps to establish marketing strategies so that the consumer buys a product or, in the sense of this study, buys it at a premium price, Lassar et al. (1995) defined brand equity in a series of characteristics as follows:

First, brand equity refers to consumer perceptions rather than any objective indicators. Secondly, brand equity refers to the overall value associated with a brand. Thirdly, the overall value associated with the brand derives from the brand name and not just from physical aspects of the brand. Fourthly, brand equity is not absolute, but relative to the competition. Finally, brand equity positively influences financial performance. (pp.12-13)

Martin (1991) identified five dimensions of brand equity: perceived quality, perceived value, image, trustworthiness and commitment. Aaker (1991, 1996) and Keller (1993) propose different dimensions, these being brand loyalty, brand awareness, perceived brand quality and brand associations. These dimensions can be used to explain the findings of marketing research and organisational behaviour in relation to brand equity (Barwise, 1993, as cited in Yoo & Donthu, 2001).

For a better understanding of the above-mentioned dimensions, Brand Loyalty can be defined by Aaker (1991 p.39) as "the attachment the costumer has to a brand", Brand Awareness as "the ability for a buyer to recognize or recall that a brand is a member of a certain product category" (Aaker, 1991, p.61), Perceived Quality refers to "the consumer's judgment about a product's overall excellence or superiority" (Zeithaml, 1988, p. 3 as cited in Yoo &



Donthu, 2001) and brand associations as “anything linking a memory to a brand” (Aaker, 1991, p.109, as cited in Yoo & Donthu, 2001).

This study clarifies the influence of CSR on these dimensions and on the study of brand equity in general.

### **2.3. Willingness to pay premium price**

The relationship between the actions and activities of companies or brands and consumer response is an increasingly present theme in the literature, often related to behavioural economics.

Since there are several studies that establish a connection between the practice of CSR activities and the willingness to pay a premium price, there is even growing evidence that there is no direct effect between the practice of CSR actions and consumer behaviour (He & Lai, 2014).

In a slightly different perspective, it is possible to state that most of the studies related to the topic conclude that consumers are actually willing to pay for these practices (Schniederjans & Starkey, 2014). Later studies add that it is necessary to keep in mind that CSR leads to customer satisfaction, but it is presented as a necessary but not sufficient condition for the customer to pay for these practices, depending on personal variables such as belief in CSR and brand loyalty (Nassivera et al., 2017; Saldivar & Zolfagharian, 2022; Yuen et al., 2016).

H1: CSR brand is positively associated with WTPP

H2: Brand equity is positively associated with WTPP

H3: CSR Brand has an indirect effect upon WTPP via brand equity

### **2.4. Inflation expectations**

This chapter seeks to establish a conceptual relationship between inflation expectations and consumer behaviour, both of which have been studied for decades (Burke & Ozdagli, 2023).

We can see the growing importance and relevance of understanding consumers' subjective expectations, including expectations of future inflation (Manski, 2004), which are a crucial determinant of agents' choices (Armantier et al., 2013). However, more than sixty years ago was established a non-causal relationship between individual expectations and realisations,

concluding that in order to accurately assess this relationship it is necessary to follow respondents over time.

In an article published in the *Journal of Monetary Economics*, Duca-Radu et al. (2021) found that a recent series of survey-based studies revealed quite disparate data on how consumers react to expectations of future inflation. However, in their multi-country study, the authors concluded that, in general, consumers behave in line with the predictions of mainstream economic theory and that if the country's economic policy can increase expectations of future inflation in contrast to current perceptions, it provides a positive stimulus for consumption and, consequently, spending. Thus, Duca-Radu et al. (2021) state that the result of inflation expectations on consumption can vary depending on economic policy and the economic literacy of consumers.

In a similar vein, and using a panel of individuals seeking to relate inflation expectations to their susceptibility to spending, Burke and Ozdagli (2023) concluded that generally educated individuals spend more on durable goods when their inflation expectations over one year are higher, adding that in less educated families, there is no relationship or a weak negative relationship between inflation expectations and spending. Durable goods refer to “to physical (tangible) goods expended over the long term as the convenience obtainable from their use gradually decreases” (Jun & Park, 2016, p. 2) and this finding is logical because it foresees the relative higher financial effort required to buy such durable goods after a long period of inflation.

This option may also reflect a focus on durability as an expression of consumer's choice. Enduring products, also usually connoted with higher quality products, have been equated as an expression of social responsibility (White, 2013) as they tend to increase the product's useful life and, therefore, decrease waste.

The aforementioned literature therefore clarifies the relevance of inflation expectations as an object of economic study and as a tool for predicting consumption trends. With a focus on sustainability and considering the possible role inflation expectations may play we hypothesize that:

H4: Inflation expectation interacts with CSR brand to explain WTPP in such a way that when inflation expectation is high, the CSR brand effect on WTPP is strengthened.

## **2.5. The relation between purchasing intention and purchasing power**

### **2.5.1. Nature of purchasing intention**

Purchase intention is a concept already solidified in the literature, corresponding to the tendency that a consumer has to purchase a certain product or service (Hsu et al., 2017; Yoo et al., 2000). The purchase intention of someone allows then, in a certain way, to predict the behaviour of this consumer (Morwitz et al., 2007). Past studies show evidence that purchase intention is actually related to behaviour, and therefore leads to the purchase (Young et al., 1998).

Even between the 1940s and the 1970s when the US government studied this relationship among American households, strong relationships were found between purchase intention of durable goods and purchase effectiveness (Juster, 1966).

The same relationship can be found in more recent studies proving that decades later and in a different socio-economic context society continues to make its purchase intentions a reality mainly on durable products compared to short-lived ones and existing products compared to recent ones (Rausch & Kopplin, 2021).

### **2.5.2. Defining purchasing power**

In 2007, Bardadym and Emmenegger stated that purchasing power corresponds to the number of services and/or goods that a given amount of money, usually liquid assets, can buy. They added that if income remains the same, but the price of goods increases, there is a reduction in effective purchasing power.

Based on the above definition, it can also be concluded that purchasing power has an influence on the intention to buy and, consequently, on the actual purchase. However, it should also be noted that purchasing power can be manipulated in the case of socially responsible consumers (Han et al., 2016) who choose to buy products that are more sustainable, greener or have other characteristics that mean they are sold at a premium price (Nardi, 2022). This topic is covered again in the next subchapter of this study.

### **2.5.2. Purchasing intention for social responsible brands**

Recent literature shows that there are consumers who are considered socially responsible (Han et al., 2016) and that their numbers have increased over recent years. Socially responsible consumers are, as defined by Webster Jr. (1975), people who take into account the

consequences of their own private consumption and try to use their purchasing power to bring about social change, leading consumers to pay a premium price for products (1955 Report On Economic Statistics of the Joint Committee on The Economic Report to the Congress of the United States, 1956), thus leading us to Hypothesis 5.

H5: Purchasing power changes interact with CSR brand to explain WTPP in such a way that when purchasing power change is negative, the CSR brand effect on WTPP is weakened.

Considering the hypotheses stated above, the equation of inflation expectation and purchasing power change in Hypotheses 2 suggest an interaction effect of inflation with brand equity (hypothesis 6) as well as an interaction effect of purchasing power change with brand equity (hypothesis 7) in explaining WTPP. Therefore, we hypothesize that:

H6: Inflation expectation interacts with Brand Equity to explain WTPP in such a way that when inflation expectation is high, the Brand equity effect on WTPP is strengthened.

H7: Purchasing power changes interact with Brand Equity to explain WTPP in such a way that when purchasing power change is negative, the Brand Equity effect on WTPP is weakened.

As a corollary of the previous hypotheses, the moderated mediation effects are expectable as follows:

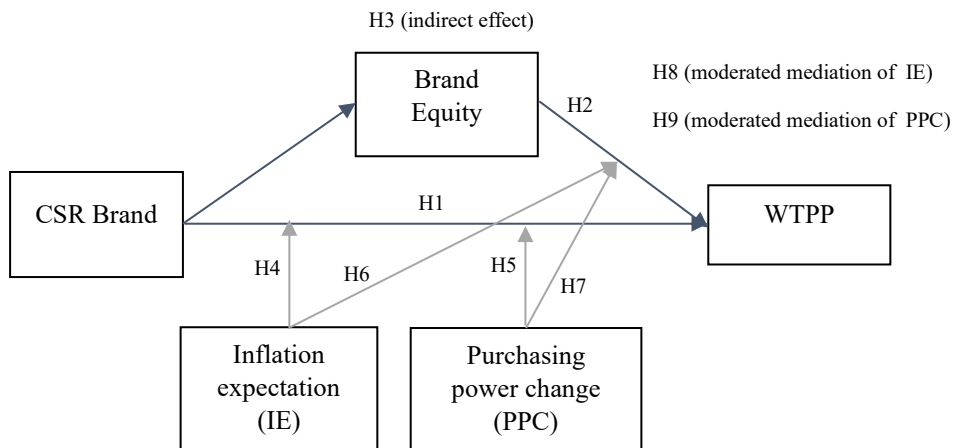
H8: Inflation expectation interacts with the indirect effect between CSR Brand and WTPP in such a way that when inflation expectation is high, the indirect effect is strengthened.

H9: Purchasing power change interact with the indirect effect between CSR Brand and WTPP in such a way that when Purchasing power change is negative, the indirect effect is weakened.

## 2.6. Conceptual model and hypotheses

By adding the inflation expectations (IE) and the expected purchasing power changes (PPC) to Diallo's et al. (2021) model as moderators, the resulting conceptual model matches a moderated mediation. For clarity's sake it is depicted below as Figure 1.

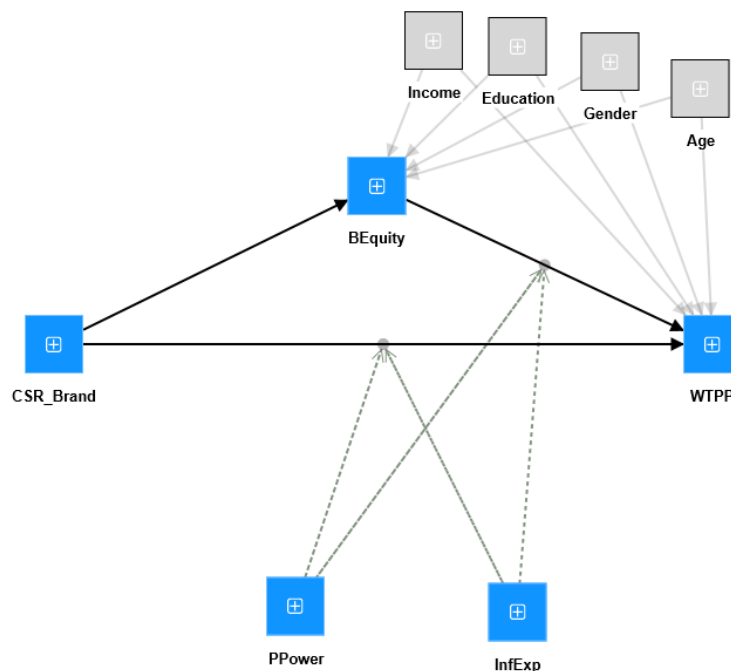
Figure 1 – Conceptual model



Source: Own elaboration

The hypotheses pertain to the direct, indirect and interaction effects as follows, while controlling for the effect of income, education, gender, and age:

Figure 2 – Conceptual model inserted to Smart PLS



The hypotheses are then:

H1: CSR brand is positively associated with WTPP.

H2: Brand equity is positively associated with WTPP.

H3: CSR Brand has an indirect effect upon WTPP via brand equity.

H4: Inflation expectation interacts with CSR brand to explain WTPP in such a way that when inflation expectation is high, the CSR brand effect on WTPP is strengthened.

H5: Purchasing power changes interact with CSR brand to explain WTPP in such a way that when purchasing power change is negative, the CSR brand effect on WTPP is weakened.

H6: Inflation expectation interacts with Brand Equity to explain WTPP in such a way that when inflation expectation is high, the Brand equity effect on WTPP is strengthened.

H7: Purchasing power changes interact with Brand Equity to explain WTPP in such a way that when purchasing power change is negative, the Brand Equity effect on WTPP is weakened.

H8: Inflation expectation interacts with the indirect effect between CSR Brand and WTPP in such a way that when inflation expectation is high, the indirect effect is strengthened.

H9: Purchasing power change interact with the indirect effect between CSR Brand and WTPP in such a way that when Purchasing power change is negative, the indirect effect is weakened.

### **3. METHOD**

#### **3.1. Data analysis strategy**

We start by testing the psychometric quality of the variables that integrate the conceptual model using techniques to test validity (principal component analysis) and reliability (Cronbach's alpha). Principal component analysis is viable when KMO reaches at least .500 and the Bartlett's  $X^2$  is significant for a p-value below .05. Additionally, commonalities should be minimum .500 and the minimum extracted variance should attain 60%. For interpretation purposes we ran an orthogonal rotation (Varimax) whenever there is more than a single principal component. Cronbach alpha is an expression of internal consistency that report the average of all the bipartite correlations within the scale. It must be .70 to be considered reliable.

With valid and reliable variables, we proceeded to test the model by running path analyses with Smart-PLS software (Memon et al., 2021) which is similar to PROCESS Macro (Hayes, 2018) but allows for more flexible model design. Following Hayes (2018) recommendations we applied a bootstrapping of 5000 repetitions with lower and upper bounds computed for a 95% confidence interval. If the zero value is not comprehended within these bounds, we can state there is a meaningful association.

#### **3.2. Procedure**

An online questionnaire (Appendix I) was designed in Qualtrics (a software available for data collection) to generate a link, which was sent to a range of personal contacts (with a diversified nature as regards gender and age) asking to snowball the invitation. The invitation stated the nature of the study, the voluntary and anonymous participation and the length of time required, so to have the informed consent. Likewise, a personal email was made available in case the participant would like to check the truthfulness of the invite as well as to state its intended purpose of receiving feedback as a short summary of main findings, once the study is complete.

#### **3.3. Sample**

186 replies were received in Qualtrics from which 14 are not eligible for this study (due to not consuming coffee) and 29 were just entries without any input and where thus excluded. From the remaining, two had missing values which left 141 valid answers.

The sample comprises individuals aged from 18 to 63 years-old (mean=31.1 years-old; SD=11.58), with a balance gender distribution (male=48.2%; female=46.1%, the remaining categories accounting for 5.7%), with high education profile (54.6% holding a Bachelors' degree, and 19.9% a Master's degree) and reporting relatively modest monthly salaries (47% up to 1000 euros). Among the participants, there were seven specific coffee brands identified with the main one being Delta, followed by Nescafé Dolce Gusto, Nespresso, Buondi, Nicola, Sical, and Segafredo / Bicafé. Due to the small sample size, it is not advisable to judge this as representative and therefore, we opt not to depict its proportions but instead state that all groups have too few cases to allow for a rigorous control test of brand effects.

### 3.4. Measures

All scales were measured on Likert scale where participants were invited to state how much they agree or disagree on a five-point scale (1=Strongly disagree, 5=Strongly agree), except where otherwise noted.

**CSR brand** was measured based on the scale of Amatulli et al. (2018) that comprises four items as follows: “CSR1. This company/brand is really concerned about its employees’ health care”; “CSR2. This company/brand offers efficiently manufactured products”; “CSR3. This company/brand is helpful to others in need”; and “CSR4. This company/brand adheres to the law on traceability and product origin”. A PCA showed valid indices ( $KMO=.762$ ,  $.758 < MSA < .764$ , Bartlett’s  $X^2(6)=177.624$ ,  $p < .001$ ) extracting a single component that accounts for 63.7% total variance. The matrix solution has high loadings (Table 1) and the component has good reliability (Cronbach’s  $\alpha=.922$ ).

Table 1 – Component matrix for CSR Brand

	CSR Brand
CSRB2 This company/brand offers efficiently manufactured products	.812
CSRB3 This company/brand is helpful to others in need	.811
CSRB1 This company/brand is really concerned about its employees’ health care	.787
CSRB4 This company adheres to the law on traceability and product origin	.782

Extraction Method: Principal Component Analysis.

a. 1 components extracted.



**Brand Equity** is a measure available on Yoo and Donthu’s (2001) paper that comprises four items: “BEq3 If there is another brand that is as good as this one, I will still prefer this one”, “BEq2 Even if there is another brand with the same characteristics as this one, I will still prefer this one”, “BEq4 If there is a brand like this one, it would be smart not to change it”, “BEq1 I am proud to use this brand of coffee”. A PCA showed valid indices ( $KMO=.780$ ,  $.715 < MSA < .902$ , Bartlett’s  $X^2(6)=304.611$ ,  $p < .001$ ) extracting a single component that accounts for 71.9% total variance. The matrix solution has high loadings (Table 2) and the component has good reliability (Cronbach’s  $\alpha=.864$ ).

Table 2 – Component matrix for Brand Equity

	Brand equity
BEq3 If there is another brand that is as good as this one, I will still prefer this one	.912
BEq2 Even if there is another brand with the same characteristics as this one, I will prefer this one	.896
BEq4 If there is a brand like this one, it would be smart not to change it	.856
BEq1 I am proud to use this brand of coffee	.713
Extraction Method: Principal Component Analysis. a. 1 component extracted	

**WTTP** will be measured with Netemeyer et al. (2004) that comprises three items: “WTTP1. I am willing to pay a higher price for this brand than for other brands”; “WTTP2. The price of this brand would have to increase quite a bit before I would switch to another brand”; and “WTTP3. I am willing to pay a lot more for this brand than for other brands”. A PCA showed valid indices ( $KMO=.658$ ,  $.612 < MSA < .727$ , Bartlett’s  $X^2(3)=123.937$ ,  $p < .001$ ) extracting a single component that accounts for 69.4% total variance. The matrix solution has high loadings (Table 3) and the component has good reliability (Cronbach’s  $\alpha=.777$ ).

Table 3 – Component matrix for WTTP

	WTTP
WTTP3 I am willing to pay a lot more for this brand than for other brands	.888
WTTP1 I am willing to pay a higher price for this brand than for other brands	.826
WTTP2 The price of this brand would have to increase quite a bit before I would switch to another brand	.782
Extraction Method: Principal Component Analysis. a. 1 components extracted.	

***Inflation expectation*** was measured with an ad hoc scale built from literature namely from Andrade et al. (2023), Apergis and Apergis (2021) and Weber et al. (2022). It comprises four items as follows: “IE1: Inflation will reach record levels in the next year”; “IE2: We are witnessing a persistent inflation that will last for many years”; “IE3: The institutions may not be fully capable of controlling this inflationary trend”; “IE4: The inflated prices will remain even after the inflationary surge”. The PCA of these items showed a two-component solution with valid indicators ( $KMO=.636$ ;  $.581 < MSA < .733$ , Bartlett’s  $X^2(6)=76.019$ ,  $p < .001$ ) accounting for 71.4% total variance after rotation (Varimax). The matrix solution has high loadings (Table 4) and the multi-item component has acceptable reliability (Cronbach’s  $\alpha=.75$ ).

Table 4 – Component matrix for Inflation Expectations

	Magnitude	Duration
IE4 The inflated prices will remain even after the inflationary surge	<b>.814</b>	.000
IE3 The institutions may not be fully capable of controlling this inflationary trend	<b>.743</b>	.035
IE2 We are witnessing a persistent inflation that will last for many years	<b>.713</b>	.433
IE1 Inflation will reach record levels in the next year	.052	<b>.970</b>

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Due to the split of inflation expectations variable in two dimensions (inflation magnitude, and inflation duration) the hypotheses 4, 6 and 8 will split into hypotheses 4a, 6a and 8a (concerning inflation expectations magnitude) and hypotheses 4b, 6b and 8b (concerning inflation expectations duration). This will be reflected in the conceptual model by also splitting the inflation expectations variable to reflect this new construct structure.

***Perceived purchasing power changes*** will be measured in the same vein, also using a scale built from literature namely from Carbonnier (2022), Gelderman et al. (2021) and Carvalho et al. (2010). It comprises three items as follows: “PPC1: I expect my purchasing power to remain the same or increase in the following couple years”; “PPC2: My income will increase in the following years in such a way that I will preserve or increase my purchasing power”; “PPC3: Generally, most people, me included, will face a downgrading in their

purchasing power in the next couple years (rev)”. A PCA showed valid indices (KMO=.615, .578<MSA<.795, Bartlett’s  $X^2(3)=111.191$ ,  $p<.001$ ) extracting a single component that accounts for 65.9% total variance. The matrix solution has high loadings (Table 5) and the component has good reliability (Cronbach’s alpha=.741).

Table 5 – Component matrix for WTPP

	WTPP
PPow1 I expect my purchasing power to remain the same or increase in the following couple years	.884
PPow2 My income will increase in the following years in such a way that I will preserve or increase my purchasing power	.858
PPow3 Generally, most people, me included, will face a downgrading in their purchasing power in the next couple years (rev)	.678

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

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## 4. RESULTS

Results are presented firstly with a focus on descriptive and bivariate statistics and afterwards on hypotheses testing.

### 4.1. Descriptive and bivariate statistics

Participants report a moderately high perception of CSR Brand of the coffee they consume (M=3.58, SD=0.66) although Brand Equity falls close to the midpoint of the scale (M=3.34, SD=0.84) it is statistically above that midpoint ( $t(134)=4.691, p<.001$ ). WTPP is also very closely placed on the scale's midpoint (M=2.96, SD=0.91) and has no statistical significant distance from that point ( $t(139)=-0.461, p=.645$ ) which indicates a neutral position on the average.

Table 6 – Descriptive and bivariate statistics

	Mean	SD	1	2	3	4	5	6	7	8	9
1. Age	31.10	11.57	1								
2. Gender	48.2 F	-	-.154	1							
3. Education	3.87	1.06	-.476**	.137	1						
4. Income	2.83	1.46	.333**	.275**	.233**	1					
5. CSRBrand	3.58	0.66	-.015	-.066	-.061	.090	1				
6. BEquity	3.34	0.84	-.072	.071	-.097	.072	.654**	1			
7. WTPP	2.96	0.91	.034	-.016	-.142	-.004	.514**	.643**	1		
8. PurchPower	2.54	0.81	-.002	.057	.084	.118	.143	.183*	.075	1	
9. Iexp1 (magnitude)	3.59	0.91	.055	-.278**	-.135	-.076	.213*	.039	.178*	-.250**	1
10. Iexp2 (duration)	3.72	0.67	.028	-.185*	-.107	-.064	.148	.144	.144	-.245**	.244**

\* $p<.05$ ; \*\* $p<.01$

Purchasing power (measured as the expectation of preserving or increasing it) is on the average negative (M=2.54, SD=0.81;  $t(137)=-6.592, p<.001$ ) thus indicating respondents expect a erosion in their purchasing power. In line with this finding, respondents report a relatively high expectation that inflation will achieve record figures (M=3.59, SD=0.91) and a stronger expectation that such inflation will remain for a long period of time (M=3.72, SD=0.62).

The sociodemographic variables show very few cases of significant associations with neither age, education nor income having a single case. Gender, however, does show two

negative correlations with both dimensions of inflation expectations thus suggesting that women report higher expectations as regards the magnitude of inflation although men and women have similar expectations about its duration.

The variables that compose the mainframe of the conceptual model (those that create the mediation effect) namely CSR Brand, Brand Equity and WTPP show all strong and positive correlations among themselves, which encourage the model proposed.

As a matter of principle, moderators should not be strongly correlated with variables they interact with, because this may create artifacts and also cast doubts about their true status in the conceptual model. There are only three cases of low magnitude correlations between purchasing power, inflation expectations (magnitude) and inflation expectations (duration) with CSR Brand, Brand Equity and WTPP which, again, encourage the correctness of the proposed conceptual model and reinforce their ascribed moderator status. Another correlation that suggests that the data is robust concerns the negative correlations found between purchasing power and both inflation expectation dimensions. Because purchasing power is measured in a way that high values indicate a positive outlook, a negative correlation shows that individuals with expectations of high and lasting inflation do think their purchasing power will degrade.

## **4.2. Hypotheses testing**

As stated, the conceptual model entails direct, indirect, and interaction effects both on the direct effects as well as on the indirect effects thus corresponding to moderated mediation effects. Table 7 shows all the coefficients and respective statistics for these effects.

Before showing the effects coefficients it is worth noting that the model explains (adjusted R<sup>2</sup>) 45% of Brand equity variance and 43.5% of WTPP variance with no indication of variance inflation (highest VIF = 2.197) clearly below the 5 threshold.

The first hypothesis posits a positive direct effect of CSR brand on WTPP. Findings show a non-significant coefficient ( $\beta=.163$ ,  $p=.157$ ) thus rejecting this hypothesis H1.

The second hypothesis posits a positive direct effect of CSR brand on Brand Equity. Findings show a significant positive coefficient ( $\beta=.853$ ,  $p<.001$ ) thus support H2.

Table 7 – Direct and indirect effects (H1, H2, H3)

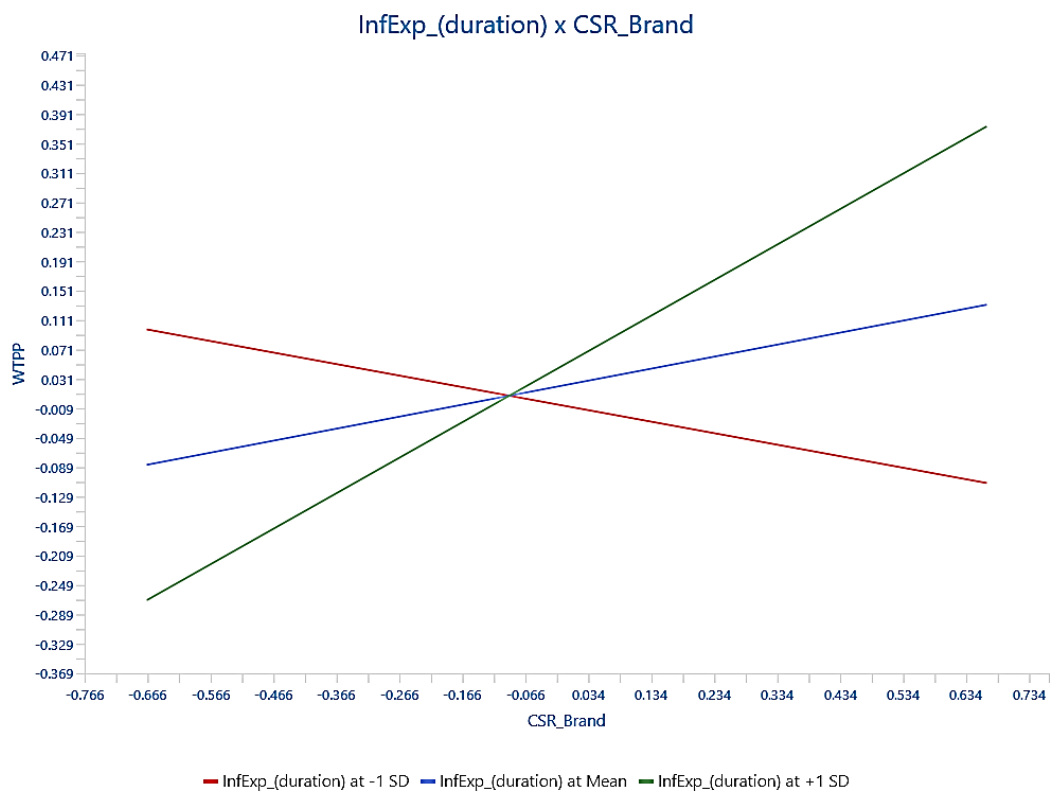
	Mediator: Brand Equity				Dependent: WTPP			
	Coeff.	t	p-val.		Coeff.	t	p-val.	
<b>Direct effect</b>								
Gender	.135*	2.031	.021		-.046	0.607	.272	
Age	-.007	1.162	.123		.004	0.592	.277	
Education	-.117*	2.243	.012		-.03	0.421	.337	
Income	.030	0.644	.260		-.018	0.341	.367	
CSR Brand	.853*	11.465	.001	H2 sup.	.163	1.007	.157	H1 n.s.
Brand equity					.628***	5.311	.001	
<b>Indirect effect</b>								
CSR Brand-> Brand Eq.->WTPP					.535***	4.937	.001	H3 sup.
<b>Conditional direct effects</b>								
CSR Brand*InfExp1 ->WTPP					.026	0.170	.432	H4a n.s.
CSR Brand*InfExp2->WTPP					.476*	1.728	.042	H4b sup.
CSR Brand*PPow->WTPP					-.075	0.435	.332	H5 n.s.
BrandEq*InfExp1 ->WTPP					-.034	0.269	.394	H6a n.s.
BrandEq*InfExp2->WTPP					-.314	1.485	.069	H6b n.s.
BrandEq*PPow->WTPP					-.183	1.423	.077	H7 n.s.
<b>Conditional indirect effects</b>								
CSRBrand->BrandEq->WTPP cond. IExp1 at +1SD					.356**	2.517	.006	H8a n.s.
CSRBrand->BrandEq->WTPP cond. IExp1 at Mean					.535***	4.937	.001	
CSRBrand->BrandEq->WTPP cond. IExp1 at -1SD					.715***	4.169	.001	
CSRBrand->BrandEq->WTPP cond. IExp2 at +1SD					.510***	3.819	.001	H8b n.s.
CSRBrand->BrandEq->WTPP cond. IExp2 at Mean					.535***	4.937	.001	
CSRBrand->BrandEq->WTPP cond. IExp2 at -1SD					.561***	3.627	.001	
CSRBrand->BrandEq->WTPP cond. PPow at +1SD					.410**	2.841	.002	H9 n.s.
CSRBrand->BrandEq->WTPP cond. PPow at Mean					.535***	4.937	.001	
CSRBrand->BrandEq->WTPP cond. PPow at -1SD					.661***	4.946	.001	
	Adjusted R <sup>2</sup>	45%				43.5%		

\*p<.05; \*\*p<.01; \*\*\*p<.001

The third hypothesis establishes an indirect positive effect of CSR brand on WTPP via Brand Equity. The indirect effect found (coef.=.535,  $p<.001$ ) does support this hypothesis H3.

The fourth hypothesis proposes the direct effect of CSR Brand on WTPP varies depending on inflation expectations. Because inflation expectations split in two dimensions, this hypothesis entails two sub-hypotheses (inflation expectations magnitude and inflation expectations duration). The proposal is that when inflation is expected to increase so does the direct effect increases. Findings show the direct effect remains the same independently of the expected level of inflation (Coef.=.026,  $p=.432$ ) which reject H4a. However, the interaction effect is observed when the duration of expectation enters into the equation in such a way that when the individuals expect the inflation to be long lasting, the direct effect of CSR on WTPP becomes significant and positive (Coef.=.476,  $p<.05$ ) thus supporting H4b. Figure 3 shows the simple slopes found for this interaction.

Figure 3 – Interaction CSR Brand\*IEDuration -> WTPP





The fifth hypothesis proposes that the direct effect of CSR Brand on WTPP is dependent on the level of Purchasing Power loss. However, the coefficient found ( $-.075, p=.332$ ) is not statistically significant, thus rejecting H5.

The sixth hypothesis proposes the direct effect of Brand Equity on WTPP varies depending on inflation expectations (H6a magnitude, H6b duration). Findings show the direct effect remains the same independently of the expected level of inflation (Coef. $=-.034, p=.394$ ) which rejects H6a. The same occurs for expected inflation duration (Coef. $=-.314, p=.069$ ) which rejected H6b. Therefore, the whole H6 is rejected.

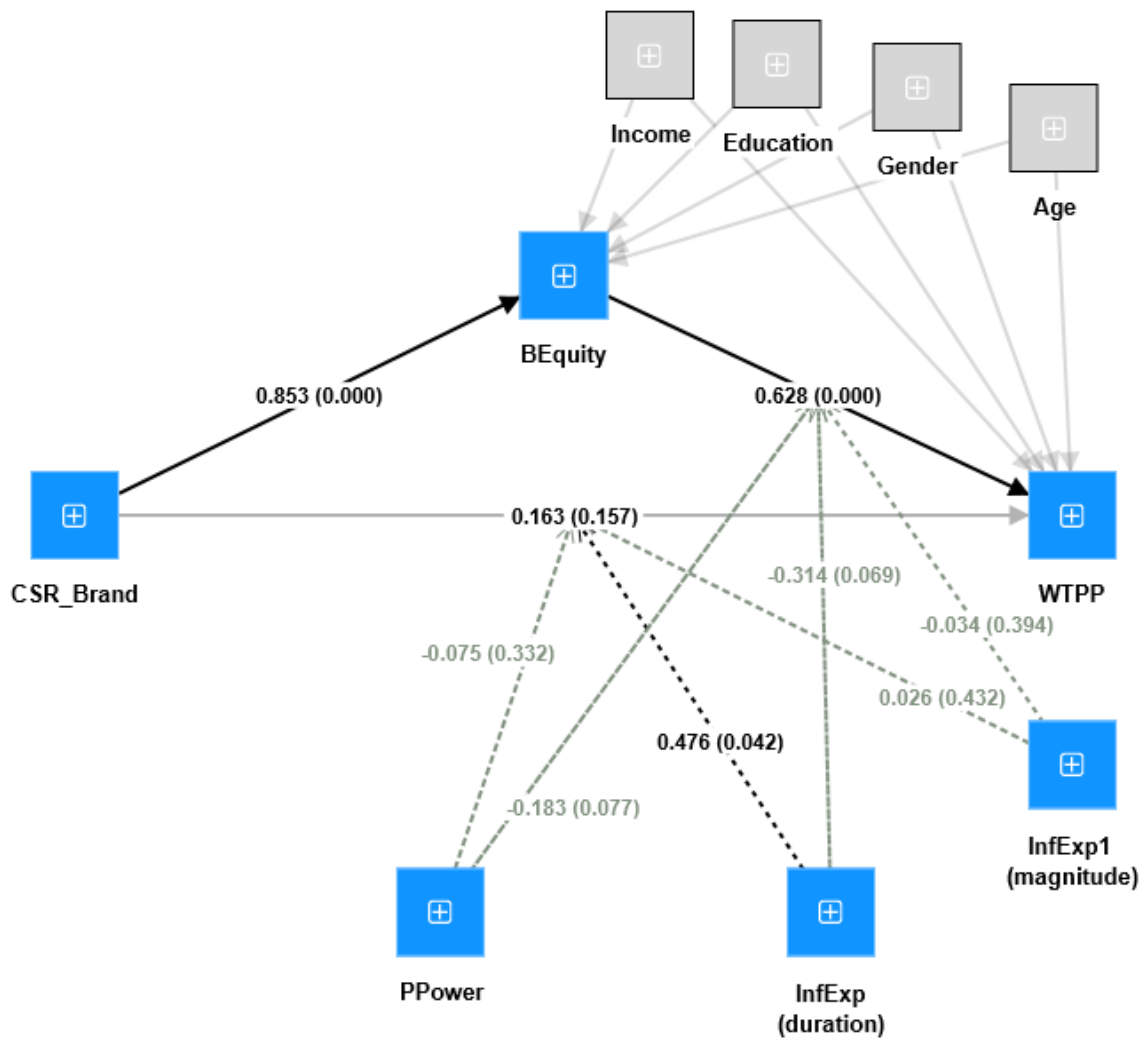
The seventh hypothesis proposes that the direct effect of Brand Equity on WTPP is dependent on the level of Purchasing Power loss. The coefficient found ( $-.183, p=.077$ ) is not statistically significant, thus rejecting H7.

The eighth hypothesis posits that the indirect positive effect of CSR brand on WTPP via Brand Equity varies according to the level of expected inflation (H8a magnitude, H8b duration). The conditional indirect effects found when expected inflation magnitude is high (+1SD) or low (-1SD) remains equivalent, which shows this indirect effect is persistent independently of the level of expected inflation (both magnitude and duration) thus rejecting H8a, and H8b, therefore, fully rejecting H8.

The ninth hypothesis posits that the indirect positive effect of CSR brand on WTPP via Brand Equity varies according to the level of purchasing power loss. The conditional indirect effects found when individuals hold a positive expectation regarding their future purchasing power are equivalent to those held by individuals that have a negative expectation about this. Therefore, the indirect effect remains the same independently of the expected purchasing power changes, thus rejecting H9.

For comprehensiveness sake, Figure 4 shows all the coefficients found in the conceptual model.

Figure 4 – Coefficients for paths



## 5. DISCUSSION AND CONCLUSIONS

In economics, we are constantly looking for ways to generate value for both the company and for its surroundings, including the consumers of the goods or services (Silva et al., 2023). It is therefore very important to study concepts and develop theories in order to achieve this. In recent years, social responsibility has been increasingly considered as a way of mitigating the effects of companies on society and the environment (Banker et al., 2023) and numerous studies (Adamska & Dąbrowski, 2021; Hartmann et al., 2023; Lee et al., 2019) have already considered the possibility of CSR practices having a positive impact, not only on society and the environment but also on the firms' own business, thus bringing a new and more exciting perspective to their returns. However, there has been little research into whether consumers are willing to pay a price for products that are not normally associated with the concept of "premium", this means that do not have differentiating characteristics that lead them to be recognised as so.

This study was based on the above premise, with the aim of highlighting the relationship between CSR practices and willingness to pay a premium price.

We can conclude from analysing the descriptive statistics that consumers tend to perceive their coffee brand as having a certain degree of CSR Brand with a stronger intensity than the one they perceive brand equity or WTPP. The WTPP mean and standard deviation with the non-significant t-test for the scale's midpoint suggest that about half the sample is ready to pay premium while the other half is not.

As expected from the current official statistics regarding inflation and also the fact that is has been lasting for quite a long time, respondents did report an expectation of high and persistent inflation together with an expectation of losing purchasing power.

Although the descriptive statistics analysed indicate that consumers expect a long and intense period of inflation accompanied by the loss of purchasing power that generally characterises it (Büsing et al., 2023), there was no conservatism in consumption intentions at a premium price as would be expected in the first instance, with inflation expectations even acting as a stimulus to consumption (Duca-Radu et al., 2021), as was seen in the tests of the hypotheses on which we conclude below.

The research hypotheses were constructed on the basis of the previous premise. However, hypothesis 1 (CSR is positively associated with WTPP) was rejected, which proves that there

is no direct relationship when other variables are considered in the equation, implying that CSR practices alone may apparently lead to consumer willingness to pay a premium price for the product but this is merely true until the mediating role of brand equity is considered. We are therefore led to the conclusion that when seeking to study the relationship between CSR and WTPP, the mediating effect of brand equity should always be taken into account. This supports the conclusions of the study by He and Lai (2014) which shows that there is no direct relationship between the practice of CSR activities and consumer behaviour.

The above conclusion also leads us to accept both hypothesis 2 (Brand equity is positively associated with WTPP) and hypothesis 3 (CSR brand has an indirect effect on WTPP via brand equity). As can be seen in figure HH1, there is a positive and significant correlation between CSR brand and brand equity and between the latter and the willingness to pay a premium price, and in table TT there is a significant indirect relationship between CSR brand and WTPP. These results reinforce the conclusions of Schniederjans and Starkey (2014) that consumers are indeed increasingly likely to pay for CSR activities. It is important, however, and as a suggestion for future research, to take into account that consumers' intentions are not always reflected in their actions (Brock Baskin et al., 2023).

The rejection of hypothesis 4a (“Inflation expectation magnitude interacts with CSR brand to explain WTPP in such a way that when inflation expectation is high, the CSR brand effect on WTPP is strengthened”) shows that there is no influence of inflation intensity expectations on the CSR brand - WTPP relationship, since CSR activity practices are not sensitive to the perceived financial situation of consumers, in the case of consumer goods (Duca-Radu et al., 2021). However, as the duration of expected inflation increases, the direct relationship between CSR brand and WTPP strengthens (i.e. when a long period of inflation is expected, CSR brand starts to have a direct effect on WTPP, as verified by hypothesis 4b (“Inflation expectation duration interacts with CSR brand to explain WTPP in such a way that when inflation expectation is high, the CSR brand effect on WTPP is strengthened”), which can be justified by more demanding consumer choices when a long period of loss of purchasing power is expected (Han et al., 2016).

The remaining hypotheses integrated the indirect effects with the possible interaction stemming from inflation expectations (magnitude and duration) and purchasing power changes. Findings rejected them, which is logical since none of the interaction effects were found to be significant in the direct effects to the exception of the single case between CSR

Brand and Inflation Expectations Duration. Although this interaction is observed, it pertains to the direct effect path and therefore it cannot transfer to the mediation path. Considering this scenario, we must conclude that a reputation of having high CSR lends a coffee brand the leverage of being capable of collecting a premium price via a heightened sense of brand equity. This process is resilient to any consideration on expected inflation or purchasing power change. Thus, CSR practices seem to leverage economic return based not on consideration of financial wealth but rather on matters of principle. So, adding to being beneficial for the environment and sustainability, for consumers and society, CSR brand is also beneficial for the business itself since companies can lead consumers to pay a premium price by increasing brand equity. Lastly, the positive direct relation found between CSR Brand and WTPP when individuals hold an expectation that inflation will endure in time, may suggest a different rationale anchored not so much on principle but rather on the salience of the long-term beneficial effects one may believe will counter-balance any harm from the inflation.

### **5.1. Limitations of this study**

As might be expected, this study has some limitations that should be addressed in order to take the necessary caveats when interpreting and extrapolating our findings, but also with the intent to mitigate them in future research. For instance, this study only considers the moderating effect of expected inflation and purchasing power changes. However, it does not control for a short versus long-term focus that each participant may hold. Because inflation expectations split into magnitude and duration, the temporal focus may add to better understand the time-bounded dimensions of inflation.

As a second limitation of this research, we only included consumer intentions as the object of study, i.e. we did not consider whether the intention to buy products at a premium price becomes a reality. It is recommended that future research delves deeper into the relationship between the concepts covered in this research from the perspective of behavioural economics in order to understand how likely it is that the willingness to pay a premium price is reflected in consumer behaviour.

The third major limitation of this study is that only consumer goods were examined (in this case capsule/pod coffee for home consumption). It would be relevant for future research to investigate the expected behaviour of consumers in relation to long-lasting products that can also have a range from low cost to premium price, such as household appliances or a car, for

example. Considering this type of product can contribute to science to the extent that, as proposed by Burke and Ozdagli (2023), the intention to buy durable goods will increase as the expected inflation also increases over one year. This relationship can also be strongly influenced by consumer literacy (Duca-Radu et al., 2021).

### **5.3. For future research**

In addition to the previous section (Limitations of this study), where suggestions such as the possible consideration of some control variables variables, the need to assess whether consumer intentions become a reality and the possibility of analysing long-lasting goods rather than consumer goods, as is the case in this work, have already been addressed.

As a suggestion, future researchers may benefit from a larger sample of consumers, including an entire economic area with similar socio-demographic characteristics, such as the European Economic Area (EEA), since studies have shown crucial economic differences, differences in financial literacy (which is not an implication of literacy in general) and cultural differences between EEA countries (Maradana et al., 2019) that could justify different behaviours and different responses to a study of a similar nature to this one. One important issue to gauge is the effect of the brand itself, which can only be ascertained with a much larger sample than the one available in this study.

Diallo et al. (2021) related CSR brand with WTPP applied to luxury brands (Rolex and a parfum from Armani) to conclude that CSR brand negatively affects WTPP. Conversely to our choice for coffee, luxury brands can hardly call upon themselves the “fair trade” label, although such brands can develop a series of socially responsible initiative and build upon them a CSR brand. Still, being closer to nature, coffee will more easily enact positive CSR brand. It would be interesting for future research to apply this study to products with premium characteristics such as those chosen by Diallo et al. (2021) while controlling for competitive explanations such as status. Likewise it would be interesting to test our moderation effect with such premium products.

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## Appendices

### Appendix I - Questionnaire

Q1 – Introduction to the study

Q2 - Do you usually buy coffee or coffee capsules for use in your home? (Select) Yes / No

Q3 - Consider the brand of coffee you buy most. What is that brand? (Select) Delta / Segafredo / Nespresso / Nescafé / Buondi / Sical / Nicola / Other

Q4 - What do you think about this brand of coffee and the company that produces it? Use the scale from 1 (strongly disagree) to 5 (strongly agree) to indicate your position on the following items.

- (1) This company is really concerned about its employees' health care;
- (2) This company offers efficiently manufactured products;
- (3) This company is helpful to others in need;
- (4) This company adheres to the law on traceability and product origin.

Q5 - What about the following items? What do you think? Use the scale from 1 (strongly disagree) to 5 (strongly agree)

- (1) I am proud to use this brand of coffee;
- (2) Even if there is another brand with the same characteristics as this one, I will still prefer this one;
- (3) If there is another brand that is as good as this one, I will still prefer this one;
- (4) If there is a brand like this one, it would be smart not to change it.

Q6 - And when you think about alternative brands? To what extent do you agree or disagree with the following items? Use the scale from 1 (strongly disagree) to 5 (strongly agree)

- (1) I am willing to pay a higher price for this brand than for other brands;

(2) The price of this brand would have to increase quite a bit before I would switch to another brand;

(3) I am willing to pay a lot more for this brand than for other brands

Q7 - And now, without considering this brand or any other, think about society in general and the economic situation that exists today. To what extent do you agree or disagree with the following statements? Use the scale from 1 (strongly disagree) to 5 (strongly agree)

(1) Inflation will reach record levels next year;

(2) We are witnessing persistent inflation that will last for many years;

(3) Institutions may not be fully able to control this inflationary trend;

(4) Prices will remain high even after the peak of inflation has passed;

(5) I think my purchasing power will be the same or increase in the next two years;

(6) My income will increase in the next few years so as to maintain or increase my purchasing power;

(7) Generally, most people, including myself, will experience a decrease in their purchasing power in the next two years;

Q8 - For purely statistical purposes and aggregate characterisation of the sample, please indicate your age (space to insert age)

Q9 - Your gender? (Select) Female / Male / Other / I prefer not to disclose

Q10 – Education (Select) Up to 9th grade / 9th year complete or equivalent / 12th grade complete or equivalent / Degree or Bachelor's Degree / Master's Degree / Doctorate / Other

Q11 Considering your total income earned last year, please indicate in what range of situation (in monthly terms, before tax, i.e. gross monthly income)?

(Select) up to 760 euros per month / 761-1000 / 1001-1300 / 1301-1700 / 1701-2200 / 2201-3100 / 3101-4200 / 4201-6500 / more than 6500 euros per month