

'Conspicuous conservation' a factor in socially responsible product innovation, study shows

March 31 2016

Companies may have a bigger incentive to invest in developing socially responsible products if it means those who eventually buy them can stand a little taller than those who don't, says new research.

Consumers do not only listen to their own conscience when making decisions around buying environmentally-friendlier cars or sweat shop-free clothing—they're also considering how those choices will make them stack up against other people, says the study from the University of Toronto's Rotman School of Management.

Previous research categorically suggests that more socially responsible products are more valuable. In contrast, this study uses a theoretical model to show that value—and the incentive to spend money on developing those products—is dynamic.

"We're trying to capture this whole issue of social comparison," says David Soberman, who is a professor of marketing at the Rotman School and holds the Canadian National Chair of Strategic Marketing. This is especially important for products that are consumed "publicly" like badge products such as beverages and clothing. He co-wrote the paper with Prof. Ganesh Iyer of the University of California, Berkeley.

Among their many findings, the researchers found that companies have the greatest incentive to develop a more socially responsible product

when the vast majority of potential users are already category users (true of many mature categories). Here, there is heightened interest in the category's social impact. In addition, greater media focus on the impact of palm oil production on deforestation may create an even bigger incentive to develop a palm oil-free soap.

In contrast, development incentives are lower when there is less consumer participation and less social concern attached to a category—think powerboats or single malt whiskey. However there may still be an incentive to innovate even in categories with low consumer participation, so long as the innovation offers a potential status bump for those who do buy it.

Gaining status through purchases of socially responsible products, such as hybrid cars, has been dubbed "conspicuous conservation." Previous research has put the social status value of buying a Toyota Prius—a distinctively hybrid car—as high as \$7000 U.S., even leading to tangible social advancement in regions where green consciousness is high.

"The fruits of a firm's labour to develop [socially responsible](#) products are going to pay off the most when you are in a market that is fully covered and when the [social comparison](#) effects are strong," says Prof. Soberman.

The paper is forthcoming in *Marketing Science*.

Provided by University of Toronto

Citation: 'Conspicuous conservation' a factor in socially responsible product innovation, study shows (2016, March 31) retrieved 27 April 2024 from <https://phys.org/news/2016-03-conspicuous-factor-socially-responsible-product.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.