

A negative economic consequence of ethical campaigns? -evidence from market data- ¹

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It is said that redistribution policy is one of the most primal functions of a government. However, in my opinion, altruistic behavior by non-governmental players ³ are also important as a complement of government activities. The advantage of some altruistic behavior is they are basically self-motivated. With limited ability of a government⁴, it is practically inevitable to face the efficiency-equity trade-off with "forced" redistribution policy. In contrast, donation for the poor, for example, is the action which is implemented by one's own preference, so that it will create less distortion to the economy than government policy. However, not all altruistic behavior are self-motivated. A possible example is philanthropy by companies, which can be executed not by self-motivation, but de facto compulsion. On the other hand, there are some attempts, which may reconcile philanthropy and profit maximization: Label strategy. In this paper, I will present how ethical attributes of goods affect market outcomes based on market data and actual ethical campaigns. While there are various kinds of such attributes, such as Eco-label and fair trade label, for example, I focus on cause related marketing(CRM) , which is subject to research by economist less frequently than other ethical attributes. The previous researchers have analyzed this topic mainly based on experimental data, which has less noise and enable the researchers to obtain pure effect of ethical attributes on market outcomes. However, CRM in actual market sometimes face ignorance by consumers and even critics by citizen groups who protest it is a mere marketing strategy, rather than a truly ethical campaign. With experimental data, I think these issues play weak role in their estimates because brands and campaigns are typically artificial, but what actually important is how ethical attributes work in real marketplace. This is why I analyze this issue by estimating demand for CRM based on scanner data of the U.S. bottled water market and actual campaigns. Surprisingly, the results show that CRM decreased sales and suggest negative consequence of ethical campaigns may actually occur in the real marketplace.

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³For example, income transfer in a community(e.g. household, village etc.), volunteering, donation, and philanthropy.

⁴For example, no availability of lump-sum tax