

Corporate responsibility and the information asymmetry between the producer and consumer

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Abstract: Firms increasingly invest in CSR (corporate social responsibility). At the same time, increasing share of consumers is interested in responsible consuming. Responsible consumers, who would reward for good CSR practices and punish for bad ones, would make the business case argument of CSR valid, but responsible consuming is easier said than done. Making judgments of the responsibility or sustainability of a product would require information, and too often this crucial information is missing, or difficult to reach at the moment of purchase. Searching information takes time and effort. Different labels and standards have been developed to mitigate this problem, but often the consumers have difficulties in recognizing or interpreting a label. One reason for this is the abundance of CSR schemes; in a recent study Poetz et al. (2013) identify 216 standards, guidelines and initiatives – 69% percent of them being global.

Furthermore, the consumers may interpret the firms' environmental or social marketing efforts as greenwashing, or just another means of marketing. The "greening" –trend has triggered a parade of environmental based advertising arguments, slogans and films. For a consumer, it is challenging to recognize the meaningful information from the blizzard of commercials, compare products, and to make desired choices. The other side of the coin is that it is challenging for the firm that invests in CSR to differentiate itself and its products on the basis of responsibility.

As a result, consumers' awareness of a firm's CSR initiatives is often low, preventing the response to these initiatives (Bhattacharya and Sen, 2001; Pomeroy and Dolnicar, 2009). On the other hand, the type of initiative compared to firm objectives (Becker-Olsen, et al. 2006), and the way it is communicated (Shuili et al., 2010) appear to influence on what kind of reaction a certain CSR initiative invokes among consumers and other stakeholders. Therefore, both the consumer awareness and firm's CSR communication are critical to the consumer response on the firm's CSR. The current situation with asymmetric information is problematic both for the consumers, and the producers, who do invest on responsible practices.

The goal of this paper is to study the information gap between producers and consumers in terms of responsibility. **The research questions are:** 1) what are the main problems and barriers in the information flow from firm to consumer, and 2) what is the functionality of the typical communication channels when communicating firm's CSR to consumers, and finally 3) what are the possible means to mitigate the information asymmetry? **This paper is a literature review**, which aims to result an overview of the role of consumer awareness on CSR in the "CSR as business case" discussion, and to shed further light on, what is the role of information, and communication channel choices, in mitigating the information asymmetry between producer and consumer.

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