

„True Prices“ Campaign: Customer Emotions and Loyalty in Food Retail

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Abstract

Retailers rely on cause-related marketing (CRM) to achieve positive effects such as customer loyalty. However, only a few companies associate these CRM campaigns with potential disadvantages such as increased product prices, so-called “true price” campaigns. The effects of this practice are little known and are therefore the focus of our study. We use content analysis to evaluate 398 posts from readers of a daily newspaper about the “True Prices” campaign by the German discounter Penny. The results show that customers do not automatically support environmental and social price markups for food, but rather react with negative emotions and refusal to buy. The most common emotion is anger, followed by irony to deal with the perceived negative situation. Our study complements the increasing number of studies on CSR campaigns that document negative effects on customers. During the years of increasing acceptance of CSR measures, there seems to be a paradigm shift on the customer side.

Keywords: *True prices, cause-related marketing, loyalty intentions*

Track: *Relationship Marketing*

1. Introduction

A few years ago, the concepts of ‚purpose marketing‘ and ‚cause-related marketing‘ emerged in the media and advertising agencies. Many brand companies and retail companies began to address environmental protection and social issues such as gender equality (e.g. the beer brand Bud Light with the transgender influencer Dylan Mulvaney) in addition to their daily product advertising. For this purpose, products and the company as a whole are highlighted with their (potential) positive effects on the environment and society.

While numerous studies on Corporate Social Responsibility (CSR) show positive effects such as a *better image* (Berglind and Nakata, 2005), a *higher willingness to pay* (Campbell, 2007; Koschate-Fischer, Huber, and Hoyer, 2016) and *greater purchase intentions* (e.g., Bianchi, Bruno, and Sarabia-Sanchez, 2019), other studies provided negative consequences such as skepticism among the consumers (Habel et al., 2016; Skarmeas and Leonidou, 2013; Wang et al., 2018) or they have no effect on *willingness to pay* (especially for environmentally-related CSR campaigns, e.g., Gálvez-Sánchez et al., 2024). As a current example of the retailer EDEKA shows with the political anti-AfD campaign from August 2024, purpose marketing campaigns can also have a negative impact on sales partners and employees (N.U. 2024).

In August 2023, the German discount retailer Penny, part of the REWE Group, launched a “True Prices” campaign (i.e., „Wahre Preise“) in which selected products were given a price premium for environmental and social issues. The aim of our study is to determine the perceptions and intentions of consumers in relation to this campaign and to provide a picture of the “True Prices” campaign and to complement the previously rudimentary research in this field.

2. Cause-related Marketing and the „Wahre Preise“ campaign of retailer Penny

2.1 Definition and consequences

Cause-related marketing campaigns can be defined as „[...] the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when consumers engage in revenue-providing exchanges that satisfy organizational and individual objectives” (Varadarajan and Menon 1988, p. 60).

Objects of cause-related marketing communication include political issues, minimum wages, but also responsibility for climate and environmental protection and a better life for animals and people. The idea of CRM campaigns is strongly linked with purpose marketing activities. However, purpose marketing focusses more on overall brand messages of „doing good“ and less on direct consequences for products and services, such as price mark-ups for selected products. Cause-related marketing is short-term oriented, focuses more on products or services and thus intends to motivate purchase and higher turnover, whereby purpose marketing is long-term oriented, focuses on the company as a whole and targets positive effects on image and reputation. Both concepts, cause-related marketing and purpose marketing belong to the overall concept of Corporate Social Responsibility (CSR) (Kotler and Lee, 2005).

Nonetheless, what the two CSR subconcepts cause-related marketing and purpose marketing have in common is that companies fundamentally assume that it is important to customers that companies behave responsibly and communicate this. Around half of customers are “[...] even prepared to pay more for clothing that is produced sustainably and fairly” (Höfler and Ditzfurth, 2018, p. 29). Other studies also emphasize the positive effects of responsibility activities on loyalty for example (e.g. Campbell, 2007; Galan-Ladero, Galera-Casquet, and Wymer, 2013; Koschate-Fischer, Huber, and Hoyer, 2016). Despite the large number of studies, especially in cause-related marketing (for an overview see, among others, Bhatti et al., 2023), it should be critically noted that most studies focused on hedonistic products (e.g. muesli bars) and on the test subjects future intentions were inquired about using scenario experiments. The potential social desirability of the answers can have a distorting effect. As a result, skepticism in practice and science about the exclusively positive effects of cause-related campaigns has increased. Studies show that the effects of such campaigns are not as clear as expected and can therefore have a negative effect on companies and the industry (e.g., Sajid et al., 2024; Sipilä et al., 2022; Szabo and Webster, 2021).

Our study addresses these limitations and takes a look at a real life campaign by a German retailer that charged a short-term price premium on selected products in 2023 for a good cause. In August 2023, the discount retailer Penny sold nine conventionally and organically produced own-branded products for a week at the true price in a media-effective manner. The “True Prices” take into account environmental costs, including CO2 emissions and water and resource consumption. The prices of the nine products varied by up to 100

percent above the regular sales price (Penny, 2023). The term “True Price” campaigns has emerged in the literature for such marketing measures.

2.2 „True Price“ campaigns in retail

In addition to the classification of „True Price“ campaigns in the CSR category of cause-related marketing, these campaigns can also be classified as price communication, especially the communication of higher prices. The concept of „True Prices“ is therefore all the more exciting because it is based on the fact that environmental and social issues are important to consumers, but also has the downside of a higher price. Typically, higher product prices lead to low(er) demand and are one of the main reasons for customer defection (e.g., Keaveney 1995). This raises the research question as to which of these effects could be stronger – valuing these activities of companies by resulting in positive attitudes, emotions and loyalties or rejecting such activities because a sacrifice has to be made in the sense of a higher price.

Since the 1970s, marketing research has dealt intensively with types and effects of price increases and its related psychological evaluation, i.e. price unfairness (e.g., Koschate-Fischer and Wüllner, 2017; Pick and Zielke, 2024). In most of the studies, price increases were linked and communicated to increased costs (including environmental regulations). In this context, price increases were often communicated as inevitable that consumers need to pay if they prefer to buy the product. The specific surcharge on the normal price was rarely communicated explicitly. Therefore, a different case is given when companies voluntarily increase prices to achieve certain purposes for external stakeholders and assume that customers are more willing to pay for social and environmental concerns. In this context, some companies have explicitly included the costs of environmental and social issues in the calculation of their product and service prices. The special is that these price elements are communicated separately, making it clear to the customer what the surcharge is to the regular product price. The “real” price is therefore the one that includes the market price and a markup for environmentally and socially friendly production (de Groot Ruiz, 2021). Previously hidden costs are made visible to consumers. This approach is referred to as “true costing” (Goldman and Weltevreden, 2024; Wilken et al., 2024) or “true value” (Unnikrishnan, 2021). Several retailers started to introduce such „True Prices“, e.g., supermarket chain Albert Heijn in the Netherlands and the discounter Penny in Germany.

Research on the types and effects of „True Price“ campaigns is in its early stages (e.g., Wilken et al., 2024). Our study helps to close an important research gap on consumer behavior and marketing and, as a result, provides important implications for companies as to whether and in what form “True Price” campaigns can be launched.

2.2 „Wahre Preise“ by Penny – Empirical study

Studies in the context of cause-related marketing often focus on fictional cases, which influences external validity. In analogy to the study by Hartmann, Klink and Simons (2015), our focus is on a real campaign by a retail company. Customer surveys about CRM campaigns have the disadvantage that answers can be socially motivated and therefore distorted. The focus of our study is therefore on the evaluation of newspaper comments in which readers communicated their assessments and intentions - unobserved by researchers. For the study, 398 posts from the webpage of the national daily newspaper “Die Welt” were collected. The comments were coded and analyzed using content analysis according to the method of Kuckartz (2019). To identify emotions deductively, established lists of primary and secondary emotions were used (Davis n.d.; Johns Hopkins n.d.).

Sample: 398 posts were randomly selected. Since readers can choose their own nickname, the gender was derived from the self-selected name (n=304). 79.6% of the comments were written by men. This reflects the readership of the daily newspaper; but it is also an interesting finding because it is women who tend to buy groceries. The posts ranged in length from 7 to 1,985 characters, with the mean being 234.73 characters (median=160.0). On average, each comment received 12.89 likes (median=5.0). The highest number of likes for a post was 94; this was the comment that called discount retailer Penny “an extended arm of the green ban party”.

Objects and Emotions: 76.2% of the posts referred to the retailer Penny. Another 21.4% posts made reference to social groups in Germany. Only 2.4% of the comments focused on the retail industry and, for example, Penny's competitors. The evaluation also showed a clear dominance of negative emotions (see Table 1, 82.2% of the posts had negative connotations). Consumers are particularly annoyed by the „True Price“ campaign or react ironically or with sarcasm to the Penny campaign. Mistrust and fury also often appear as emotional reactions. The high mentions of mistrust are an important finding, as studies in retail clearly show the importance of trust for store loyalty (e.g., Hartmann, Klink, and

Simons, 2015). In addition, our study significantly expands knowledge about the diversity of customer reactions by identifying various negative emotions (Fan, Deng, Qian, and Dong 2022). Selected expressions of anger include “paternalism”, “greenwashing”, “go woke, go broke”, “left-green wishful and educational thinking”, “political zeitgeist”, “populist nonsense campaign”, “rainbow humbling” and “re-education company”. Men posted negative emotions significantly more often, while women also expressed themselves neutrally or without emotion (Pearson coefficient=6.030, $p<.05$). Our study therefore provides evidence of different subtypes of anger that might help to identify consumer emotions in other communication means such as emails towards a firm.

Ranking	Top 5 of negative emotions (frequency)
1	Anger (142)
2	Irony (56)
3	Sarcasm (29)
4	Mistrust (25)
5	Fury (22)

Table 1. Top-5 of negative emotions (source: own illustration)

The analysis also makes it clear that there are hardly any customers who support Penny's price campaign. Only 3.3% of all posts examined had positive emotions expressing acceptance and support for the “True Prices” campaign (e.g., “it is a good idea”). There were slightly more mentions in neutral posts. 14.6% of people looked at the campaign and its intentions more analytically and tried to analyse the motives and consequences of the campaign. The high positive correlation between the number of negative emotions towards Penny and the number of likes is noteworthy ($r=0.140$, $p<.001$). More negative emotions attract far more attention from other people than less negative emotions. For Penny, this is a bad outcome because other people may be influenced in her judgment and intentions and in turn experience negative emotions and even change their purchase behavior towards Penny.

Customer loyalty: Our analysis shows that the majority of comments do not state any specific intentions towards the retailer Penny (78.9%). In the immediate evaluation, reflection and emotional processing of the situation seem to be the focus of the customers. Although individuals express numerous negative emotions, they do not immediately react by refusing to buy from the retailer. This is understandable in that food is not purchased every day and there can be 1-2 days between emotional perception and the next grocery purchase. Only 18.3% emphasize that they will no longer shop at the discounter in the future. However, many

consumers did not express any reaction towards Penny, they might leave the company unobserved (i.e., fading away). At least 2.0% of people want to give negative word-of-mouth.

Customer engagement and size of posts: People who posted no intentions towards the retailer Penny wrote an average of 245.3 characters. People who intended not to shop at Penny in the future also showed high (textual) engagement with 198.0 characters. For intention to churn there were 159.50 characters and for negative word-of-mouth (WOM) there were 195.63 characters. What is interesting is that people with revisit intentions wrote very short posts of 75.0 characters. The length of posts can therefore certainly serve as an indicator of customer intentions towards Penny.

Conclusion: The analysis shows that the cause-related Penny campaign primarily evoked negative emotions, especially anger. People react to the „True Prices“ campaign with irony or sarcasm. Many customers tend to stop shopping at Penny because of the cause-related activity. The number of customers who have not communicated any intentions, either positive or negative (n=314), is higher, but companies should not be lulled into security. Churn can occur unnoticed, customers „fade away“ (Evanschitzky et al., 2020).

3. Summary

Overall, our empirical study provides valuable insights for retailers, branded goods industry and marketing research. Retailers can use the findings to optimize cause-related marketing. Price-related campaigns tend to be perceived negatively and therefore need to be considered with particular care. In sum, Penny's „True Prices“ campaign aroused more negative emotions than positive ones. In particular, people are angry about the communicated price surcharge. Although intentions are less clear, a larger portion of people who posted want to avoid purchasing from Penny in the future. Our study therefore complements other research showing that 85% of respondents did not buy Penny products because they were too expensive. 46% of the respondents said environmental issues were not important to them. A similar number of people confirmed that they did not want to support the campaign (Statista, 2024).

The majority of posts are related to Penny (76.2%), so CRM campaigns have more impact on the company than on other political or social groups. Even if customers picked up on social issues of paternalism, there were hardly any references to higher-priced products (private labels) in the posts. Penny has carried out such a cause-related campaign for the first

time in Germany. Therefore, the negative emotions can definitely be rated as high. Customer reactions could be more nuanced if a retail company has a longer history of CRM campaigns. The results of our study are therefore all the more important because they indicate that companies must carefully consider before launching their first price-related CRM campaign. Our study also shows that one in five consumers (20.1%) communicated immediate negative intentions such as refusal to purchase and negative WOM. In times of high inflation and competitive pressure in retailing, the potential loss of 20 percent of customers is a significant figure.

The present study is not without limitations. No specific customer behavior could be measured by analysing posts only. In addition, the emotional and behavioral effects may be different for other products or product categories (with different target groups). It is interesting to note that the comments were primarily written by men, who are less likely to be responsible for grocery shopping for their families. It is unclear how they influence their family members' purchasing decisions. Future research can explore how people feel when they have the choice between a product with the market price and an identical product with a „true price“. It can be assumed that the purchase decision or refusal is made depending on the socio-demographic background (e.g. household income), but also the environmental and social attitudes as well as the trust in the retail company. It might be further important to know which customers respond more negatively towards such cause-related campaigns.

Many customers also reacted very negatively to the (referred) motives behind the campaign. This is how paternalism was written about. Future studies could examine the extent to which negative political sentiment among parts of the population influences business relationships with companies such as retailers. If political dissatisfaction also negatively affects the relationship with the retailer, there are important managerial implications for the retail industry's lobbying work. Our study therefore not only contributes to relationship marketing to individual customers, but also provides approaches for lobbying an industry.

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