Use of Camouflage (Halo Effect) in CSR Initiatives: A Case Study of ITC and DLF

Dr Namita Rajput 1, Rati Dhillon 2
1 Associate Prof in Commerce, Sri Aurobindo College, University of Delhi
2 Assistant Prof in Commerce, Bharati College, University of Delhi
1 Namitarajput27@gmail.com
2 ratidhillon@gmail.com

Abstract - The halo effect, a systematic rejoner error, is frequently neglected when marketing constructs are calculated with multi-item scales which can distort the results obtained by consumer surveys leading to wrong calculations and false strategic decisions. This paper provides the conceptual framework of meaning and measurement and detection of halo effect and how well the marketers are attempting to comprehend it and utilize it to generate productive results in impacting the consumer behavior. For creating a positive halo effect, CSR initiatives have proven to be highly commendable. The paper is intended to understand the concept that whether Halo Effect is the psychological fallacy which represents the impact of one or few traits on the further judgment of the product/person/company and hence used as a camouflage by the companies. This fallacy is evident in halo effect and CSR and how companies in India have used CSR halo in misleading consumers by concealing some key issues in sustainability reports, which otherwise would have played a negative role in their buying behavior, with special reference to DLF and ITC.

Keywords - CSR, Camouflage, Consumer behavior, Fallacy, Halo effect, Psychological

1. INTRODUCTION
1.1 THE CONCEPT OF “HALO EFFECT”
The concept of halo effect was coined by Edward Thorndike in 1920. The halo effect delusion or a cognitive bias is the psychological impact of one or few positive traits of a person on the overall positive appraisal of the person. Halo effect is a psychological tendency which is evident in almost all aspects of life including consumer behavior. It is a fallacy prevalent amongst many people that while assessing a person, they are biased towards a particular peculiarity or attribute and deduce that the person must be in possession of other enticing attributes as well. Thus it constructs a tendency of building a comprehensively positive judgment about a person or thing on the basis of the one preferred characteristics (Grcic, 2008). This psychological phenomenon disagrees with the conventional stance in psychology regarding the progression of attitude formation, asserting that assumption can have an impact on beliefs. Even in the commercial scenario, halo effect is intended to recommend that a consumer’s assessment of a particular product or service is biased in accordance to their outlook and perception towards the brand. Consumers tend to personify the brands and develop an emotional connect with them based on the information they receive either through their first-hand interaction or through secondary sources and this significantly influences consumer decision making (Chernev, 2007).

1.2 USE OF HALO EFFECT AS A MARKETING TOOL
Halo Effect is of vital relevance in the process of marketing and consumer marketing research especially as a tool for comprehending consumer behavior and assessing the values, beliefs and attitudes of the consumers which shall help marketers to develop constructs like preferences, satisfaction, awareness and involvement which are intensely linked with consumer behavior and attitude (Parasuraman, Grewal and Krishnan, 2007). Liodice (2010) is of the opinion that marketers can utilize the findings of the impact of the “sister” brands of the brand portfolio of the company on the brand under consideration to assess how several campaigns during the same time frame for correlated brands generate results and whether it is in sync with the desired results. The outcomes can be vital for the process of corporate decision making. Halos can be engendered by multiple aspects of the firm. Consumers tend to develop a positive outlook towards profitable companies and believe that it offers superior quality products and its advertising is authentic. Positive halos help in fostering loyalty amongst customers, making the firm more immune to competition. Likewise, if the products are appreciated by the consumers then consumers create a positive image of the company’s management and strategies (Intelligent Investor, 2011).

1.3 COMPANIES USING HALO EFFECT IN INDIA
1.3.1 ITC LIMITED
ITC Limited, India’s prominent private sector company which is indulged into multiple businesses. The company has undertaken a lot of CSR initiatives which have acclaimed global appreciation. The CSR intentions of ITC limited are focused towards economic, environment and social development with special emphasize on rural economy. ITC has made farmer development, a critical aspect of the business strategy and is constantly working towards improving living standard of the rural population. ITC’s “E-Chaupal” has been a phenomenal CSR initiative which helped Indian villagers to get more efficient supply chain and get justified prices for their produce. This created a halo effect and have given the corporate image and consumer perception a tremendous boost and helped ITC to generate better sales volume and also had a positive impact on the assorted businesses (Sharma and Kiran, 2012; Kaur and Agrawal, 2011).

1.3.2 DLF
CSR initiatives of DLF intend to empower communities especially in rural sections primarily, of north Indian states of Haryana, Punjab, UP and Delhi. DLF runs 30 rural schools with emphasis on girl education. Slum schools impart free education. There also primary healthcare centers run by DLF for free medical treatment. Also, DLF runs India’s first state-of-art private veterinary hospital which also runs mobile vet service for rural areas. Apart from these, there are scholarships, free meals, plantation initiatives by the company. The CSR halo effect of DLF made a positive impact on the company’s image especially in northern region and has emerged as a prominent real estate company there. People regard it as honest corporate providing genuine offerings. This has a constructive impact on the business of the firm and foster customer satisfaction and loyalty with improved brand equity (SRRF, 2013).

2. OBJECTIVES OF THE STUDY
The main objective of the paper is to explain the conceptual framework of CSR Halo effect and how it is used by the companies as a marketing tool to impact the purchase decisions.

3. REVIEW OF LITERATURE
This section gives a brief snap shot of review of existing literature.

3.1 Concept of Halo effect
This section gives a review of existing literature on the issue of halo effect. In the recent times, especially following the global recession, there has been a significant rise in the general belief amongst the people that companies are earning profits at the cost of the society and environment, thus the reputation of the commercial establishments were at stake. This motivated the firms to enhance their social and environmental initiatives to portray an image of being a benefiter of society. These initiatives are collectively called Corporate Social Responsibility (CSR) and have attracted research in multiple dimensions. Most of the researchers have unanimously accepted the need of development of corporate strategies which accommodate obligations towards the society, natural environment and business objectives and developing a sustainability centric approach of carrying out business. CSR encompasses concepts of business ethics, corporate social performance, global corporate citizenship, cause-related marketing and stakeholder management (D’Amato, Henderson and Florence, 2009; Anghel, Grigore and Rosca, 2011; Baghi, Rubaltelli and Tadeschi, 2009; Hartmann, 2011).

Moreover, Hohnen and Potts (2007) perceive CSR as more than mere philanthropy and should be looked upon as an attempt of company to collaborate with the various stakeholders to develop innovative and economically viable products, processes and services within the purview of the fundamental business processes that result in economic, social and environmental welfare collectively.

3.2 Definition- Halo effect
Halo Effect is extensively researched concept of social psychology which has relevance across various aspects of the human life. Halo Effect sketches out the impact of experiential facets on the perceptions humans create of other people, things or brands. Halo effect theory was propounded by Edward Thorndike in 1920 who defines it as, “a process of cognitive bias that leads individuals to ascribe particular traits to others based upon some observed characteristic” (Thorndike, 1920). Simplistically, halo effect explains the impact of the preliminary imprints on the later adjudications irrespective of the revelation of conflicting evidence (Rosenzweig, 2007). The halo effect is a vital exploratory tool for anxious observers as it may be useful in lessening conflicting apprehensions one may have fostered. Rosenzweig (2007) also proposes halo effect as “a way for the mind to create a coherent and consistent picture, to reduce cognitive dissonance”. Halo effect is pragmatic as sometimes it is highly complex to assess something on the basis of multiple traits in a situation, and thus people depend on their established beliefs and thus draw inferences based on those. Halo effect puts maximum emphasize of the initial impression one forms and aligning all the subsequent judgements accordingly (Thorndike, 1927).

3.3 Use of Halo effect in marketing strategies: a history and present scenario
Halo effect can be linked to the attribute rating which warrants a ubiquitous impression of the brand. Marketers are realizing the impact of an attribute on the performance perceptions of other attributes or the universal impression of the brand. Halo effect is more persistent for offering
quality of the company than CSR initiatives across brands and geographical markets and is intriguingly intertwined with branding decisions (Madden, Roth and Dillion, 2011). In the past, CSR initiatives were promoted as marketing tools for product differentiation and reputation building. Moreover, the positive impact of CSR on the corporate image was viewed as a critical source of brand image augmentation and rise in stock values. CSR initiatives were employed for differentiating the firm from competitors so that customers are able to relate to them better (Gallego- Alvarez, Prado-Lorenzo, Rodriguez – Domniguez, Gracia- Sanchez, 2010). In the present scenario, CSR initiatives are being highly promoted through various media channels thus create an expansive halo effect which impacts the brand image and foster better brand recall. CSR halo is also a useful tool for promoting cross-selling and also combatting a negative up surge against the corporation. Thus, companies are employing CSR tools and propagating it extensively for generating a halo effect so that marketing strategies can be formulated accordingly (Assiouras, Ozgen and Skourtis, 2011).

3.4 The Halo Effect: Balancing Authenticity and Reputation in Corporate Social Responsibility

It is being observed that there is a steady rise in the demand for products from companies who are ethical and adopt sustainability measures earnestly. This has propelled a drive for adopting CSR initiatives by the companies and ensures that they generate a “halo effect”. CSR and its acceptance and adoptability are expanding across industry vertices breaking the conventional notion of being prerogative of niche market segments. Though consumers are considered the chief catalyst for the CSR initiatives of businesses, minimal is known about the impact CSR have on the consumers. It is extensively contemplated that CSR shall have a halo effect on consumers wherein customers know about one or few CSR initiatives but will have an opinion based on that for the other CSR initiatives and also about the overall company and its offerings irrespective of the magnitude of the knowledge they have about them (Smith, Read and Lopez-Rodriguez, 2010). Cho and Kim (2012) also support the CSR halo effect in the context of issues management and concluded that CSR initiatives have a positive effect on pacifying the public’s adverse responses especially in the case of MNCs. Arias and Patterson (2009) have also support the CSR halo for long term profitability through balancing of the expectations of all the stakeholders. Thus, companies can utilize and strategize their CSR initiatives to harbour a halo effect over the consumers to develop a multifaceted result generating business format.

3.5 Advantages and challenges of the Halo effect in CSR

CSR is highly critical for establishing corporate reputation which will have a halo effect on every business aspect. CSR is a vital tool for engaging consumers and influencers together to impact brand perception through multiple channels of communication. The spread of CSR information helps in creating a halo effect and customers tend to develop a positive outlook towards the company and its offerings (Cone Communication, 2013). Num and Tan (2010) have highlighted the external and internal advantages of the Halo effect in CSR. External benefits include strengthening of corporate reputation, lowering business risk and improving sales volume, customer goodwill etc. while internal benefits are fostering learning, better recruitment prospects, and favourable workplace attitude, boosting employee morale and motivation and commitment. Taylor (2008) stressed upon a very prominent advantage of halo effect of CSR as the sense of immunity it offers to the company from the negative events which may be critically damage the financial performance along with the goodwill and corporate reputation. It provides a protective shield which helps the company to tackle past or future misdemeanours. Halo effect of CSR is a reservoir of goodwill which acts a rescue ranger in times of distress.

3.6 Expected future

Consumers are highly knowledgeable and well researched in present day scenario and the market is full of competitors competing in the same product category and consumers are bound to compare the brands and corporate images along with the features of the offerings before making purchase decisions. Thus, it is highly essential for the marketing managers to ensure that they establish a positive image which have a deep rooted impact on the consumers. However, this impact shall be long lived. Thus, halo effect is a very critical aspect of marketing strategies. CSR, though, obligatory, is very vital for marketing strategies as it helps in creating a positive impact on the consumers and helps the company to safeguard itself from any negativity arising through undesired consequences. The role of social media is growing significant and shall be highly critical in the future. Halo effect can be created through social media wherein dissemination of CSR information and setting up a forum for customers to initiate a dialogue to support and safeguard companies’ credibility and reputation. Social networking is phenomenally expanding globally especially India and most of the corporates are attempting to get the hold of the market nerves through virtual interaction. All this is intended to have magnifying effect on the business’ profitability and nurturing competitive shield.

Consumer behavior is highly unpredictable and consumers take purchase decisions through various permutations and combinations of attributes. One of the significant traits of human psychology which holds true for purchase decisions is the halo effect. Consumers tend to evaluate a company’s offering on the basis of past experience or on one of the trait. CSR helps in creating a positive impression of the company and thus, it has the potential to generate a halo
effect as customers tend to showcase an affinity towards company with high social responsibility adherence. Thus, it is highly useful for marketers to adopt CSR halo to develop marketing strategies which serve dual purpose of disposing obligatory social responsibility and promoting its offerings through minimal efforts.

The above analysis clearly exhibits the importance of halo effect and its impact on consumer behavior, which makes it imperative to gather the insights and analyze in this regard.

4. DATA AND METHODOLOGY

The following section gives data and methodology used. In this paper the for analysis and interpretations secondary sources are used, mainly the corporate reports, journals etc. Case study methodology is used to interpret the same, namely ITC and DLF. The company reports are analyze in detailed to explain the actual scenario of their activities and explain the divorce between what they say and what they do.

5. ANALYSIS AND INTERPRETATIONS

5.1 Case I - Tobacco Industry- ITC Ltd.

In ITC, clearly there is a camouflage of the sustainability reports as no mention of the negative aspects of tobacco consumption is mentioned like presence of nicotine, bad and damaging impacts on pregnant women even when they are passive smokers. This has all been verified by World Health Organisation (WHO) hence these tobacco producing companies are seen low on CSR and they have bad public image and reputation when it comes to CSR. (Palazzo Guido and Ritcher Ulf, 2007).

5.1.1 Critical analysis of ITC Ltd. Sustainability parameters

- ITC’s Sustainability report for the period April 2011-March 2012 states that it is adhering to the GRI guidelines and is externally assured by Ernst and Young and has merited as A+.
- Report comply’s to the National Voluntary Guidelines, ITC’s report explains its contribution principle-wise as per the guidelines.
- It claims to adhere to National Standards while addressing consumer safety. It follows international quality of health and safety standards.
- Rural initiatives have been a core area of focus by ITC. Setting up e-choupals, empowering women by providing employment opportunity etc. are few works in area of rural development. ITC partners with CII in CII-ITC Centre of Excellence for Sustainable Development which focuses towards inclusive growth. ITC is also associated with State government in projects like MGNREGA for watershed development.
- In addition to all this ITC recognizes the challenges faced by India and the need for protecting the environment and it emphasizes on use of renewable sources of energy, enhanced efficiency in water-management like rain water harvesting practices, recycling solid wastes and low-carbon growth strategy.

5.1.2 CAMOUFLAGING THE REPORT BY ITC

But if the report is studied carefully it can be clearly seen that ITC has used its CSR activities to camouflage its image in front of stakeholders. The following arguments are listed below in light of this:-

1. The report explains the practices under each principle of National Voluntary Guidelines, but there is no mention of any practice related to one of its major and core areas of operation, tobacco business.
2. ITC’S report remains silent on how the company addresses the issue of deteriorating health of general people by tobacco consumption. As such there is no social contributions in this largely needed issue towards consumers.
3. GRI G3.1 Sustainability Guidelines explicitly lists down under the head “Reporting Principles for Defining Quality” the principle of ‘Balance’ The aim of this principle is that the report should present both the positive and negative aspects of the practices followed by an organization. According to this principle the organization should not select or omit certain facts. The report should be conclusive and provide a comprehensive view of the practices of the organization. This principle is incorporated to make sure that there is no window dressing and the stakeholders get to know the real picture of the practices being followed by the organization. In light of the importance of the principle we see that it is not adhered to in the sustainability report of ITC. ITC’S report does not mention anything regarding the negative aspects or unfavorable results of the practices related to its tobacco business.
4. Furthermore, in GRI G3.1 Sustainability Guidelines under the head Product Responsibility Performance Indicators, the clause lays emphasis on reporting in view of health and safety impacts of the product being produced and sold by the organization. In this respect also, ITC’S sustainability report does not throw light on how their tobacco manufacture has a long-lasting and dreadful effect on the life of thousands of consumers. The ill-effects caused on the health of the consumers by cigarette/tobacco consumption finds no place in their sustainability reports. We find these major points to be missing from the reports of ITC. These aspects have totally been ignored while reporting. Hence, we can say the ITC’S report is camouflaged and disguised only to present the favorable aspects of its practices which are highly unacceptable. And hence, these deliberate omissions of ITC can’t be justified or overshadowed by other good social behavior followed by it.
5.2 Case Study - DLF

Competition Commission of India (CCI) has imposed a hefty fine of Rs.630 core on DLF in August 2011. It was in connection to the cases lodged by various clients of DLF housing. DLF was found guilty for alleged use of dominance. The Commission in its order considered the relevant provisions of the laws applicable to the development of group housing projects in Gurgaon, particularly the mandatory requirements which must be followed by every developer / builder, but which were not followed by DLF Ltd in this case. CCI satisfied with the one-sided, abusive and unfair behavior to allottees on part of DLF thus imposed a heavy fine and also ordered DLF to modify buyer agreement and remove unfair competitive practices. DLF rather than modifying the buyer agreement challenged this order passed by CCI and moved to COMPAT (Competition Appellate Tribunal) for a review of CCI’s judgment. COMPAT has ordered CCI (competition regulator) to prepare a modified buyer-seller agreement between DLF and its clients. CCI on direction of COMPAT issued a supplementary order on 3rd January 2013 that modifies the buyer agreement and has removed unfair conditions and one-sided clauses. The important clauses modified over original clauses relates to Amendment of annexures, association of apartment owners, additional constructions, use of terrace. These modified agreements would be applicable to the DLF projects of Belaire, Park Place and also Magnolia. This case is still in court and the final verdict is awaited. CCI hopes that the supplementary order on modifications in the buyer agreement in case of DLF would serve as a benchmark for other real-estate builder companies as well.

Besides being an unlawful act this is also a violation of code of ethics and goes to show a poor social responsibility approach towards its customers in particular. The real-estate companies should be more careful in its social responsibility practices as it is dealing with dream housing projects where customers expect fair and honest...
behavior in return of their lifelong savings. DLF having attained such a high position in the sector of real estate is expected to behave responsibly in line with following principles and standards laid down in ‘ISO 26000: Guidance on Social Responsibility.’ ISO 26000 in its Part-4 on Principles of social responsibility lists down the principle of Transparency, Business Ethics, Respect for stakeholder interests and rule of law. The principle on ‘Transparency’ emphasizes that an organization should disclose its activities and practices in clear, accurate, complete manner and in a sufficient degree as so not to mislead any of its stakeholders. Principle on Business Ethics stresses that the behavior of the organization should be honest and truthful while dealing with every stakeholder group. Next, DLF should pay due concern to the interests of the stakeholders. Further, legal requirements should be fulfilled and due regard to the rights of the stakeholders should be taken into consideration. According to Part 6 of ISO 26000 which mentions various clauses lists down the following in view of which DLF is expected to behave. Fair Operating Practices- Organizations should be just and reasonable while dealing with their stakeholders. DLF should promote fair competition and not take any undue advantage of the social conditions prevailing. It should not indulge in any kind of unfair competitive behavior or misuse its dominant position. ‘Consumer Issue’ clause of ISO26000 guides the entities to behave responsibly with its consumers. Keeping this in view, DLF should provide accurate, fair and transparent information to its consumers so that it helps them in making informed decisions. Unbiased information and fair contractual practices on part of DLF are desirable.

Figure 2: - Halo Effect created by DLF

**Figure 2:** Halo Effect created by DLF

**CSR Halo Effect**
- A positive impact on the company’s image especially in northern regions.
- DLF emerged as a prominent real estate company. People regard it as an honest corporate providing genuine offerings. This has a constructive impact on the bottom line of the firm and foster customer satisfaction and loyalty with improved brand equity (SRRF, 2013).

**DLF CSR initiatives**
- Intend to empower communities especially in rural sections. DLF runs 30 rural schools with emphasis on girl education. Slum schools impart free education.
- Primary healthcare centers run for free medical treatment. India’s first state-of-art private veterinary hospital which also runs mobile vet service for rural areas.
- There are scholarships, free meals, plantation initiatives by the company.

**DLF negative side:**
- CCI imposed a hefty fine of Rs.650 core on DLF in connection to the cases lodged by various clients of DLF housing. DLF was found guilty for alleged use of dominance.

6. **SUMMARY AND CONCLUSION**

This study concludes that for an organization survival in long-term initiatives towards corporate social responsibility is important. Separate sustainability departments are being formulated by multi-nationals, CEO and Directors of these multinationals speak a lot of CSR initiatives, the organizations are also publishing their sustainability reports, carrying out campaigns to advertise their social commitment but the extent of serious implementation still remains a question. CSR reporting includes various national and international guidelines and frameworks (as discussed in section 111 of this paper) to assist the organizations in their social practices. But their implementation by the companies in true spirit still remains a front where lot needs to be accomplished. The companies seem to be intentionally not looking over the concerns of the consumers as seen in the case study of ITC Ltd. and DLF Housing. Consumers are being treated as commodities for making profits and due concern which should be paid to their needs is lacking. Firms make
attempt to lure the consumers by creating a false halo of CSR activities by one means or other to buy their product but the actual well-being of the consumers is being taken for a ride. This would thus be of great significance to find out the attitude and behavior of certain business entities across different industrial sectors towards their consumer stakeholder group. Of how the social responsibility practices claimed by them in their reports are being actually met and complied with? Or it is it mere a creation of a false halo effect to showcase a good brand image? More needs to be found out on this aspect.

7. REFERENCES

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