

The impact of corporate social responsibility on brand sales

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Researchers from Indiana University, Georgia Institute of Technology, and Texas A&M University published a new *Journal of Marketing* article that examines the effect of corporate social responsibility (CSR) on

consumers' actual purchase behavior.

The study is titled "The Impact of Corporate Social Responsibility on Brand Sales: An Accountability Perspective" and is authored by Dionne Nickerson, Michael Lowe, Adithya Pattabhiramaiah, and Alina Sorescu.

Consumers are increasingly aware of the potentially harmful effects of brands' business operations on society and the environment. Brands, therefore, face huge incentives to engage in some form of CSR. For example, Coca-Cola recently celebrated 25 years of awarding college scholarships, totaling over \$73 million. While college scholarship donations are a worthy endeavor, a new study in the *Journal of Marketing* suggests that brands should "clean up their own mess" before engaging in corporate philanthropy aimed at generating goodwill.

Not surprisingly, shortly after being named "top plastic polluter," Coca-Cola highlighted its commitment to recycling every one of its beverage bottles by 2030. A public survey about CSR found that most respondents prefer that companies implement CSR initiatives that minimize their negative impact on society and the environment. This suggests that the degree to which a brand's CSR efforts reduces harm may help predict consumer response and guide future CSR decisions. This research is one of the first to use brand sales data to examine how CSR affects [consumers'](#) actual purchase behavior. Furthermore, it proposes a novel typology of CSR based on the extent to which a brand demonstrates accountability for its negative impact on society and the environment:

- "Correcting" for the potential negative societal or environmental impact of a brand's business operations by making changes to those operations;
- "Compensating" for the negative impact of a brand's business

- operations without making changes to those operations; and
- "Cultivating" goodwill through pro-social acts that are not directly related to the negative impact of a brand's business operations.

With a database of CSR press releases by leading CPG (consumer packaged goods) brands and scanner panel sales data, the researchers show that the type of CSR effort has distinct implications for brand sales. On average, Corrective and Compensating CSR actions provide a boost to the sales of participating brands while Cultivating CSR actions lead to a slight drop in sales. This effect depends not only on the type of CSR initiative, but also on the CSR reputation of the firm and the focus of the CSR activity (environmental versus social).

Brands with high CSR reputations experience a smaller effect on sales because consumers expect such firms to consistently "do the right thing." And because consumers often place greater importance on environmental concerns, environmentally-focused Cultivating CSR initiatives reduce brand sales less than socially-focused Cultivating CSR initiatives. To better understand the mechanism underlying the CSR-purchase behavior relationship, the researchers conducted controlled laboratory experiments and find that consumers' evaluation of CSR depends on how sincere they perceive the firm's motives to be.

Corrective and Compensating CSR, which suggest a higher desire to correct brand harm, are perceived as more sincere and increase purchase intentions compared to "Cultivating" CSR. The study has implications not only for how firms should choose the types of CSR to engage in, but also for how they should communicate the end goal of their CSR efforts. Brands can benefit from emphasizing the accountability of their CSR efforts in company press releases, particularly if addressing environmental issues. While reducing [negative impact](#) appears to win the greatest degree of consumer approval, brands with high CSR reputations

may find it more challenging to impress consumers. Nonetheless, consumers expect high CSR reputation brands to engage in CSR and seem open to such brands engaging in all types of CSR, including corporate philanthropy.

"Our results also suggest that managers should reconsider engaging in CSR actions that cannot be linked to reducing the brand's perceived harm to society or the environment. Consumers may meet such actions with cynicism if a [brand](#) has not yet taken accountability for its 'every day' harm," the researchers say. "Overall, an optimistic conclusion from our study is that that business, consumer, social, and environmental interests can align when businesses genuinely reduce their adverse impacts."

More information: Dionne Nickerson et al, EXPRESS: The Impact of Corporate Social Responsibility on Brand Sales: An Accountability Perspective, *Journal of Marketing* (2021). [DOI: 10.1177/00222429211044155](#)

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