

Corporate social responsibilities and marketing

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Abstract: In today's competitive market, Corporate Social Responsibility (CSR) is proposed as one of the main and strategic concepts for several companies so that in recent years, 90% of companies that have been among the top 500 companies of Fortune, have used social-responsibility based activities. As the new paradigms of marketing (including third-generation marketing from Kotler's view), the convergence of marketing thought process toward social marketing and issues related to social responsibility show the aim of third-generation marketing is to change the world to the best place for living. Therefore, in this study, a meta-analysis was provided about the impact of CSR on two main areas of marketing namely consumer behavior and corporate marketing. Concerning the consequences of CSR on consumer behavior, it can be referred to issues such as customer-company identification, customer response, customer satisfaction, positive evaluation of product and company, positive attitude toward product and company, acceptance of suggestions, agree to pay more prices by customers, and loyalty, which play a key and effective role on consumer behavior. Regarding the corporate marketing, it can be referred to issues such as the creation of corporate image, better financial performance, the improvement of corporate reputation, the increase of brand equity and market stock value.

Key words: *Corporate social responsibility; Consumer behavior; Marketing*

1. Introduction

In today's competitive market, Corporate Social Responsibility (CSR) is proposed as one of the main and strategic concepts for several companies so that in recent years, 90% of companies that have been among the top 500 companies of Fortune, have used social-responsibility based activities (Kotler and Lee 2004; Lichtenstein *et al.*, 2004).

A specific report was published by Business week magazine in 2005 (Berner, 2005: 72), revealed investments in CSR initiatives in large companies (e.g. General Motor Co. assigned 51.2 million dollar equal to 7/2 of its pre-tax profit to CSR activities). Another report from Grant Association in America announced charitable pays of companies nearly to 310 billion dollar (Giving USA Foundation, 2008).

Similarly, Philip Kotler (who is one of the outstanding experts of marketing) in one of his latest works "Marketing 3.0: from products to customers to human spirit" which was published in 2010, stated that the aim of third-generation marketing is to change the world to the best place for living and emphasized on humanitarian and socio-cultural development through CSR strategies. In another book called "Social marketing to protect the environment: what works" published in 2012, he proposed advance of marketing's new paradigms toward corporate social responsibility. Why do companies spend so much money on CSR activities

and what is the reason for increasing emphasis on these activities in theory and practice?

Despite the above-mentioned issues both in theory and application of related concepts in businesses, corporate social responsibility are recent and not yet well investigated especially in the context of developing countries and emerging markets. Therefore, in this study we try to add the existing literature through classification and definitions, concepts, research results and implication of CSR measures on consumer behavior and companies' performance based on foreign studies and create a context to focus more on this issue.

2. The emergence of corporate social responsibility

CSR as a field of study in management was proposed in 1950s in United States. At that time, the humanitarian charities, serving associations, promotion of personnel welfare and dissemination of religious issues were common. In 1951, Frank Abrams the chief of Standard Oil Board (now it is Exxon) in a paper in the magazine of Harvard Business Review asked executives to be good citizens and help to solve the complex social problems since businesses are human-made tools (Abrams, 1951).

CSR ideology that later was called as Pro-Social Corporate Endeavors (Murray and Vogel, 1997), Corporate Social Performance (Turban and Greening, 1997) and Corporate Citizenship (Maignan

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and Ferrell, 2001), was established based on the commitment of business to society. Since then most studies took an instrumental view to explain methods and meanings through which companies can actualize their commitments so that in 1980s, CSR was changed from a commitment into a marketing strategy. Then Edward Freeman expanded companies from benefiting shareholders to benefiting all beneficiaries (Freeman, 1984). Since then, much research has been done in this area and CSR has been introduced as a major issue in the marketing literature (Franklin, 2008). In continuation, we develop the proposed concepts and definitions of these studies.

3. Concepts and definitions

Several definitions of corporate social responsibility have been introduced and different authors interpreted CSR in different ways. While there are various definitions for CRS but it is still an ambiguous concept with blurring boundaries (Talaie and Nejati, 2008) and there is no consensus on the definition of CSR. Evolution of definitions and their completion which are presented in chronological order is identifiable.

For example, McGuire (1963) stated that: "The idea of social responsibility assumes that not only companies have economic and legal commitments, but also certain other responsibilities towards the society that is beyond these commitments (McGuire, 1963: 144).

Davies (1973) went beyond and stated that: "Social Responsibility begins when the rules end. The company which relies on meeting the minimum legal requirements is not a responsible since this is what every good citizen does; social responsiveness companies go a step beyond and accept social commitments beyond legal requirements" (Davies, 1973: 313).

But one of the most complete definitions was introduced by Carroll (1979). By providing a framework, he classified CSR in 4 concepts, and later in 1991 and 1999 completed his concepts that these concepts were further employed by many researchers. His definition was so comprehensive that discussed all CSR-related concepts under a single framework. In his view, corporate social responsibility can be defined in four concepts of economic responsibility, legal responsibility, ethical responsibility and discretionary responsibility (which was later called as philanthropic responsibility in 1991).

He stated that the main responsibility of companies is economic responsibility and it is expected that companies produce services and goods as it is demanded and create economic wealth (Maignan and Ferrell, 2001). In developing countries like our country, Iran, commitment to this type of CSR leads to the creation of jobs and revenue for society members (UNIDO, 2002). He believes that the companies should follow the dos and don'ts of society and act within the legal boundaries of society

(Carroll, 1991: 42). For example, it can be referred to issues such as providing security and welfare for employees, offering environmental standards and complying with the tax laws.

Ethical responsibility is to do something that is right and fair and avoiding it damages environment and humans. Ethical responsibilities show a higher level of corporate social responsibility and demand issues beyond legal requirements (Garriga and Mele, 2004). Finally, discretionary or philanthropic responsibility is introduced at the highest level that aims to improve the quality and welfare of society (Carroll, 1991: 42). The last concept presented by Carroll is very similar to the third generation marketing of Carroll. So it can be concluded that CSR is a key tool for new marketing concepts. In developing countries, philanthropic activities such as pays to charities equal to CSR (Crane and Matten, 2004).

As it is seen in Fig. 1, Carroll in his paper entitled "The Pyramid of Corporate Social Responsibility" presented these four concepts in the form of a pyramid that is started from infrastructural economic and legal responsibilities and ends with high levels of corporate social responsibility (Ethical and philanthropic).



Fig. 1: The pyramid of corporate social responsibility

Also the pyramid refers to this fact that fundamental responsibilities support higher responsibilities.

Lantos (2001) also presented his classification for CSR. His classification was based on the nature of activities (obligatory or discretionary) and the purpose (focus on company or focus on stakeholders) (Tuan, 2012). He classified it into three categories: ethical CSR, philanthropic CSR and strategic CSR. According to him, ethical CSR is obligatory and is beyond the economic and legal duties of company and deals with issues such as avoiding social damages even if the company is not benefited from these kinds of activities (Lantos, 2001: 605). Philanthropic CSR is beyond ethical CSR and refers to the admittance of responsibility in terms of society that there is no urgency in their application, but these activities cause the positive statements of stakeholders. Strategic CSR creates a win-win situation to achieve strategic objectives of company. The main idea of this kind of CSR is that being ethical and responsible brings cost and pain in short-term but will be effective in the long run.

After providing definitions and concepts related to, the question that arises is the impact of CSR on consumer behavior and marketing performance companies like? The results of research done in this area is the continued review of research done in this field, we try to answer these questions.

4. Corporate social responsibility and consumers

The shift of businesses' approach towards ethical, social and environmental issues is resulted from the shift of consumers' attitudes toward these issues. There is evidence that implies the positive impact of CSR on consumer behavior (Sen and Bhattacharya, 2001). A study, which was done by Walker in America, found that 88% of respondents prefer to purchase those companies that are more accountable (Smith, 1996). For the first time in 2000, a comprehensive study was done in Europe by Market and opinion research international Co., which was a survey study to investigate the attitudes of European consumers to CSR. 12000 people in 12 countries (Belgium, Denmark, France, Finland, Germany, Great Britain, Italy, Netherlands, Spain, Switzerland, Sweden and Portugal) were studied. The results showed that 70% of consumers tend to purchase their goods and services from responsible companies (MORI, 2000).

In another study conducted in America, 2000 consumers aged over 18 years were studied. 64% of these consumers insisted that CSR activities should always be used by companies and 85% stated that they are always looking for companies that support what they claim.

Most of these studies considered the corporate social responsibility generally, but they did not propose what factors are recognized as corporate social responsibility for consumers (Maignan and Ferrell, 2001).

One of the interesting researches in this area is done by Brown and Disney in 1997. They showed that the negative image of company in the field of CSR leads to negative assessment of consumers about its products and services and vice versa. But they only used two activities to question CSR from consumers: corporate giving to CSR issues and community involvement, but these two cases include very small areas of CSR activities.

Also the studies conducted by Carrier and Ross (1997) showed that there is a positive relationship between customers purchase intention and companies that are perceived by them as ethical or beyond their moral expectations. Other studies also confirmed the relationship between CSR activities, attitudes, customer satisfaction and consumer purchase intention (Wigley, 2008; Luo and Bhattacharya, 2006; Lee and Shin, 2010).

As it is observed in several studies, there is a positive relationship between CSR activities of company and consumer attitudes, but little research has been done on the effects of CSR activities. A research was done by Sen and Bhattacharya in 2001 that tried to fill this gap. This study showed that the

customer-company congruence and company capabilities in producing products and offering services are effective factors on customers' response to corporate CSR activities.

5. The implications of corporate social responsibility for business

These days, people are more concerned about corporate behaviors and consider a corporate as bad or good by its ethical practices (Nejati and Ghasemi, 2010). Much research examined the impact of corporate social performance on their commercial performance. Applying CSR allows companies to create value for their brand; and the cost of creating brand value through CSR activities is usually less than the value created by advertising and public affairs (Joshi and Gao, 2009).

In a meta-analysis done by Pava and Krausz (1996), 21 studies conducted between 1972 and 1992 were examined. 12 studies showed a positive relationship between CSR activities and financial performance of companies, 1 study reported a negative relationship and 8 studies showed no relationship (Luo and Bhattacharya, 2006).

Several studies confirmed the positive relationship between the use of CSR strategies, brand equity and appropriate corporate image (e.g. Jahdi and Acikdilli, 2009), and since the positive relationship between CSR activities, corporate reputation and appropriate corporate image was proposed, more companies sought to report their CSR activities in media in order to gain more financial reputation and success in the market (Sen *et al.*, 2006).

As it was mentioned in the previous section, one of the effects of CSR is to create satisfaction for our customers. Satisfied customers tend to be more loyal to company and word of mouth advertising and pay more money for products and services (Szymanski and Henard 2001; Homburg *et al.*, 2005). In this case, it is not surprising that customers identify themselves with organization and accept corporate suggestions easily. Several studies suggested that corporate with customers in high satisfaction level could create high levels of financial and cash flows (eg, Gruca and Rego 2005; Fornell 1992; Mittal *et al.*, 2005). By issues mentioned in the above as well as creating a "moral capital", CSR can create more spirit and efficiency in personnel (Godfrey, 2005: 777), and a public goodwill that can positively affect the stock value of companies on the stock market. CSR also can create good reputation and credibility for corporate that is a guarantee for wealth and shareholders' investment (Luo and Bhattacharya, 2006).

More importantly, by the increase of media coverage of issues related to CSR, companies can use a direct and clear approach to show CSR-related activities and communicate with various stakeholders.

The table provides a list of the most important research done in recent years in literature on CSR and marketing field.

Table 1: Research done on corporate social responsibility in Marketing field

Mediator	Dependent variable	Independent variable	Type of data	Research subject	Publication year	Authors
-	Corporate performance	Corporate social responsibility announcement	Secondary data	Effect of CSR announcements on firm's returns	1997	Posnikoff
-	Corporate/product evaluation	Corporate social responsibility	Primary data	Consumer reactions to CSR activities	1997	Brown and Dacin
-	Corporate social performance	Corporate size, profitability level	Secondary data	Relationship single factors on corporate social performance	1998	Stanwick and Stanwick
-	Corporate reputation, Brand performance	Corporate social responsibility	Primary and secondary data	CSR, company reputation index, return on equity	1998	Karake
Perceived spirituality, personal spirituality	Behavioral intention	Organizational and personal factors	Primary data from marketing experts	Perceived relevance of CSR to marketing	1999	Singhapakdi et al.
Employee commitment, customer loyalty	Business performance	Corporate citizenship behavior	Primary data from marketing executives	Role of corporate citizenship	1999	Maignan et al.
Corporate social responsibility	Economic performance	Organizational actions	Primary data	Marketing actions and social dimensions	1999	Handelman and Arnold
Size, risk, industry	Financial and social performance	Corporate social responsibility	Secondary data	CSR and performance	2000	McWilliams and Siegel
CSR information, CSR domain, CSR support, CSR beliefs	Purchase intention, corporate evaluation	Information about the quality of new product	Primary data from MBA student	Consumer reactions to CSR activities	2001	Sen and Bhattacharya
-	Customer donations, customer-company identification, corporate benefit	Perceived CSR	Primary data from consumers	Consumer reactions to CSR activities	2004	Lichtenstein et al.
Customer satisfaction, corporate ability	Market value	Corporate social responsibility	Secondary data	CSR and the mediating role of customer satisfaction	2006	Luo and Bhattacharya
-	Active environmental strategies, competitive advantage	Organizational resources and capabilities	Secondary data	Proactive environmental strategies and organizational capabilities	2007	Aragon-Correa and Rubio-Lope
Corporate social responsibility	Performance, competitive advantage	Corporate identity management	Primary data	Understanding the influence of corporate social responsibility on corporate identity, image, and firm performance	2010	Sebastian Arendt and Malte Brettel
culture	Customer attachment	Information about Corporate social responsibility	Primary data	The effect of CSR knowledge on customer liking, across cultures	2013	Chomvilailuk and Butcher

6. Discussion and conclusions:

CSR is a concept that in recent decades has quickly become one of the prominent subjects and concepts in marketing literature and business and

the number of companies that use these strategies is increasing day by day (Dobers *et al.*, 2005; Dahlsrud, 2008; deBakker, 2009). As this study indicated the literature review suggests that CSR has a significant impact on issues related to consumer behavior and corporate marketing that are two important issues of marketing.

Regarding the effects of CSR on consumer behavior, it can be referred to issues such as customer-company identification, customer response, customer satisfaction, positive evaluation of product and company, positive attitude toward product and company, acceptance of suggestions, agree to pay more prices by customers, and loyalty, which play a key and effective role on consumer behavior.

About the corporate marketing, it can be referred to issues such as the creation of corporate image, better financial performance, the improvement of corporate reputation, the increase of brand equity and market stock value.

Nevertheless, we hope by further explanation of issues related to social marketing that these days have become a dominant thought in marketing literature and the win-win nature of these activities, can achieve to the latest generation of kotler marketing (generation 3), i.e. changing the world as a best place to live.

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