Publicity or Marketing in the Case of the Global CSR Initiatives
There is “a positive correlation with the intensity of advertising” and CSR, because advertising serves to “makes consumers aware of the existence of CSR attributes” (Mcwilliams & Siegel 2001)
“Companies invest in advertising to achieve the common goals of building stronger relationships with consumers...We predict that firms with large advertising expenses will tend to have a higher likelihood of corporate philanthropy” (Zhang et al. 2009:40)
1st Case

**CSR, e.g.,**
Invest in community
Donate to charity
Report emissions
Recycle waste

Advertising (of CSR)

2nd Case

**Image need, e.g.,**
Sells consumer goods
Recent scandal
Heavily regulated

Advertising (in general)

**CSR, e.g.,**
Invest in community
Donate to charity
Report emissions
Recycle waste

Similarities?

Differences?

Who Cares?
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Growth in CSR advertising

1. U.S. Cause-Related Marketing ($bn)

2. Percent of Advertisement with a CSR Theme in Three Leading German Business Magazines

3. Number of “Green” Advertisements in International Version of the Economist

4. New Global Compact Participants by Year

Sources: (1) IEG; (2) Mogelle and Tropp (2010); (3) Leonidou et. al. 2011; (4) UN Global Compact
Why do companies advertise CSR?

Purported Benefits

• improved consumer satisfaction, loyalty, and brand equity (Hsu 2011; Wang 2010a)
• higher firm value (Servaes and Tomayo 2012a)
• increased willingness of consumers to say positive things about the company (Romani, Grappi, and Bagozzi 2012a)

Types of studies concerning CSR advertising

• theoretical postulation (Mcwilliams and Siegel 2001)
• survey data (Chu and Lin 2013)
• practitioner interviews (Nicholson 2007)
• quantitative modeling of secondary data (Melo and Garrido-Morgado 2012)
• field experiments (Hiscox and Smyth 2006)
• laboratory experiments (S. Menon and Kahn 2003)
<table>
<thead>
<tr>
<th>Study</th>
<th>Sample</th>
<th>Frame</th>
<th>Measure of Advertising</th>
<th>Methods</th>
<th>Industry/Firm</th>
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<td>Zhang et al. (2009)</td>
<td>703 listed Chinese Firms</td>
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<td>Advertising / Sales</td>
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<td>Firm</td>
<td>Dummy variable: Philanthropic giving</td>
<td>Positive, significant</td>
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<td>Kim et al., (2012)</td>
<td>Several thousand U.S. Firms</td>
<td>Various</td>
<td>Advertising Intensity</td>
<td>Panel study</td>
<td>Industry</td>
<td>Earnings manipulation; KLD Analytics</td>
<td>Mixed, insignificant</td>
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<td>(Mishra &amp; Modi, 2012b)</td>
<td>192 U.S. Firms</td>
<td>2000-2009</td>
<td>Advertising Intensity</td>
<td>Panel study</td>
<td>Firm</td>
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Null hypotheses on the basis of previous studies

Marketing tool

• Positive, but insignificant relations

Informative advertising

• Null hypothesis is no relationship, because of studies showing
  – Most companies do not advertise their practices (Craig, 1999; McQuail, 1987)
  – Only 30% of workers know of the CSR activities of even their own employers (PSB, 2009; Ramasamy & Ting, 2004)
  – Effective advertising seems not be happening because consumer perceptions of which companies have high CSR do not match up with those of professional CSR evaluators (PSB, 2009)
  – “If stakeholders are not told companies are carrying out good deeds, how are they meant to be aware of them?” (Carrigan, 1997:41)
Need for more studies on informative advertising of CSR practices

• Most common approach is laboratory experiments, which induce an artificial awareness of CSR practices

• Some recent research claims that CSR advertising is the long-sought missing link between CSR practices and financial performance (Du, Bhattacharyya, and Sen 2010)
Measurement Issues: Why not more secondary-data studies?

• Companies are not required to report advertising expenditures to the SEC and many do not
  – Leading business databases lack advertising expenditures for as much as 74% of companies in the sample of other studies (Baron, Harjoto, & Jo, 2008:22)

• Workarounds
  – Drop the variable
  – Assign non-reporters a score of zero
  – Give companies the average of their industry
  – Create dummy variables for
    • Whether company reported advertising dollars
    • Whether company appears on a Top 100 List
Measurement issues (cont’d): How to Measure Advertising for a Company

- **The “standard practice” is to measure advertising intensity**
  - divide advertising expenditures by revenues (Tuli, Mukherjee, and Dekimpe 2012:453)

- **Problems with advertising intensity**
  - More volatile than advertising expenditures alone
  - More missing values than advertising expenditures alone
  - Mismatch between numerator and denominator
  - Revenues, but not advertising, is occasionally negative
  - Temporality (advertising outlays are probably determined more by last year’s revenues than this years)

- **Better approach**
  - Include advertising and revenues as separate independent variables
  - Allows researcher to see the separate effects of each variable
Measurement: Advertising in Millions of Dollars for Every 4th Company in the Top 100 Advertisers in 2010

Source: Ad Age
Company Fixed-Effect Coefficient of CSR Index (Predicting Advertising Dollars, unlogged)

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Discussion
Theory: Exhaustive (?) possibilities

- Time 0—General advertising; Time 1—CSR practices: CSR as product differentiation
- Time 0—No CSR; Time 1—CSR advertising: False advertising
- Time 0—CSR; Time 1—CSR advertising: Informative CSR advertising
- Time 0—CSR; Time 1—No CSR advertising: Intrinsic CSR

For completeness:
- Time 0—No CSR; Time 1—No CSR advertising: Consistent with informative advertising
- Time 0—No general advertising; Time 1—No CSR: Consistent with product differentiation