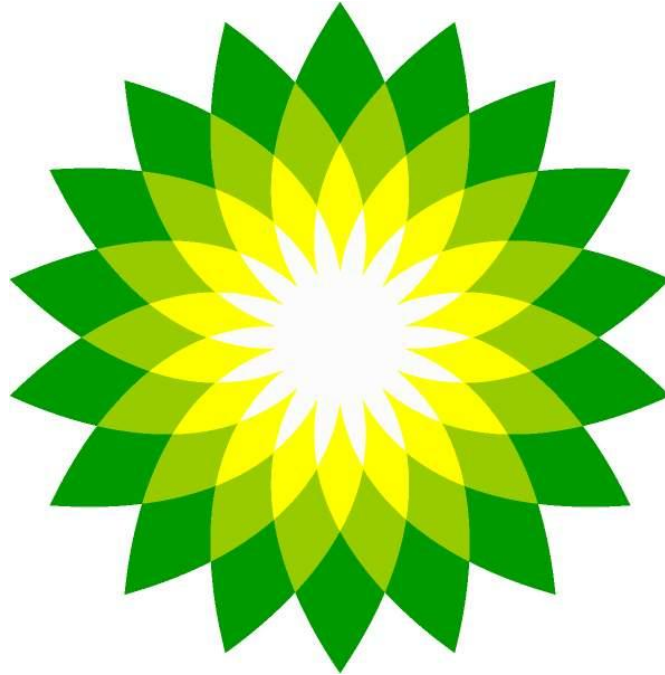


Advertising and Corporate Social Responsibility

Shawn M. Pope



July 12th, 2013

Publicity or Marketing in the Case
of the Global CSR Initiatives

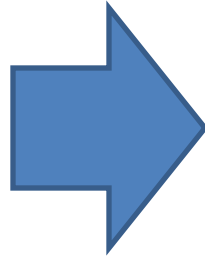


There is “a positive correlation with the intensity of advertising” and CSR, because advertising serves to “makes consumers aware of the existence of CSR attributes”
(Mcwilliams & Siegel 2001)

*“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**

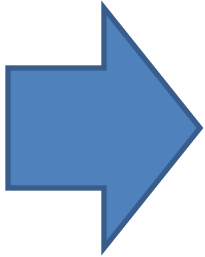
CSR, e.g.,
Invest in community
Donate to charity
Report emissions
Recycle waste



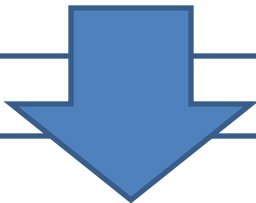
Advertising
(of CSR)

**2nd
Case**

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



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



Advertising
(in general)

Similarities?

Differences?

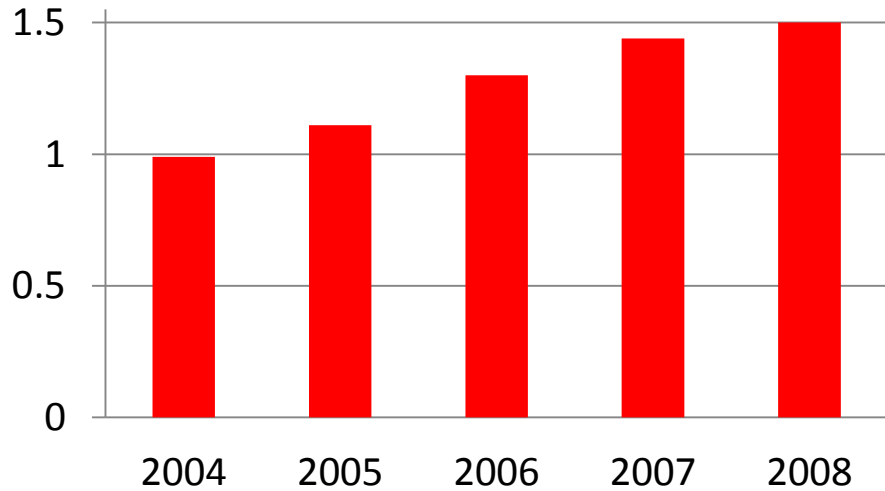
Who Cares?

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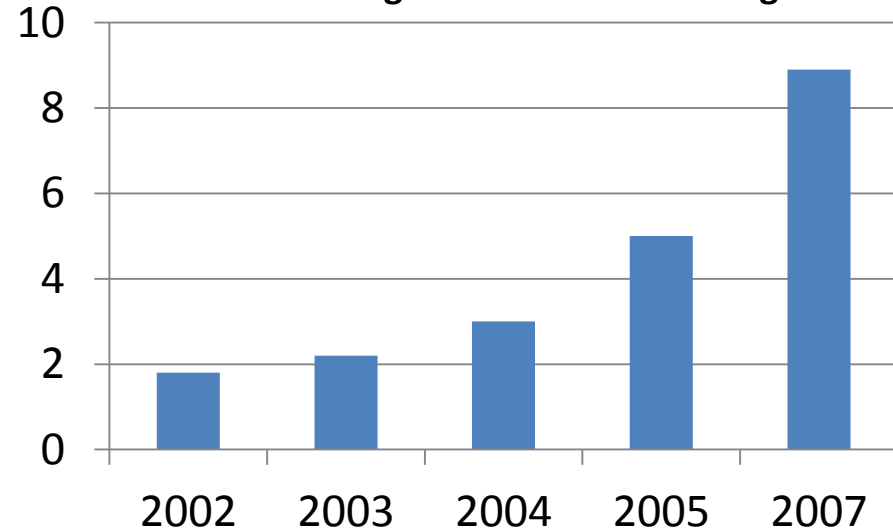
- Background: Growth in CSR Advertising
- Why CSR advertising?
- H1: Advertising as CSR publicity
- H2: CSR as a marketing tool
- Background: Global Initiatives for Corporate Social Responsibility
- Measuring advertising and CSR
- Panel Regressions of Advertising Expenditures of Large Advertisers

Growth in CSR advertising

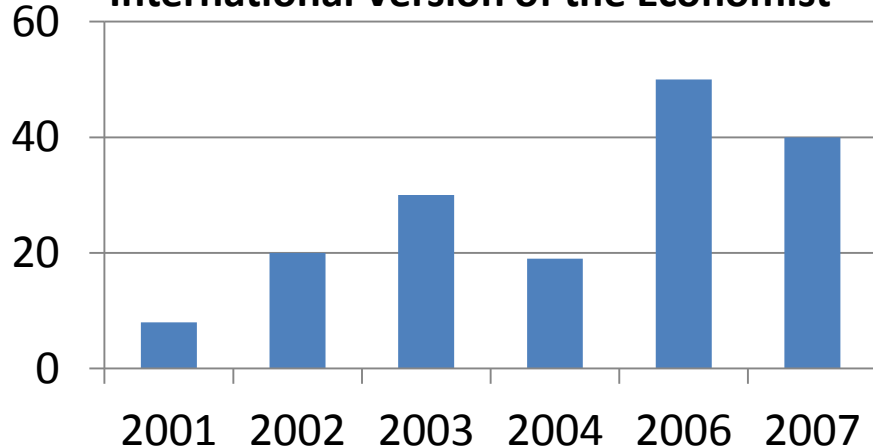
1. U.S. Cause-Related Marketing (\$bn)



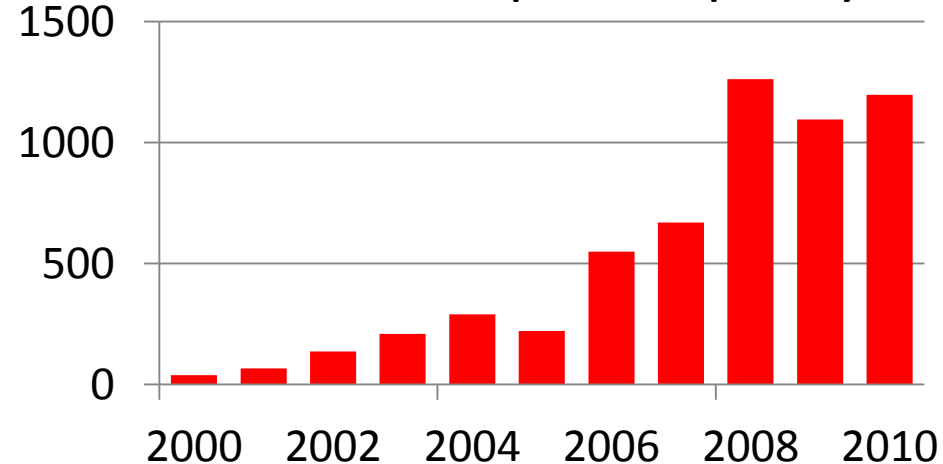
2. Percent of Advertisement with a CSR Theme in Three Leading German Business Magazines



3. Number of "Green" Advertisements in International Version of the Economist



4. New Global Compact Participants by Year



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)

Prior studies of CSR and advertising with secondary data

Study	Sample	Frame	Measure of Advertising	Methods	Industry/ Firm	Dependent variable	Relationship
Melo & Garrido-Morgado (2012)	320 Listed U.S. Firms	2003-2007	Dummy Variable	Panel study	Firm	KLD Analytics	Positive, insignificant
Zhang et al. (2009)	703 listed Chinese Firms	2008	Advertising / Sales	Cross-sectional	Firm	Dummy variable: Philanthropic giving	Positive, significant
Strike, Gao, & Bansal (2006b)	222 U.S. Firms	1993-2003	Advertising / Sales	Time series cross-sectional data	Industry	KLD Analytics	Positive, insignificant
Lerner & Fryxell (1988)	130 U.S. Firms	1979-1984	Advertising expenditures in 1984	Cross-sectional	Firm	9 indicators of CSR	General positive, generally insignificant
Kim et al., (2012)	Several thousand U.S. Firms	Various	Advertising Intensity	Panel study	Industry	Earnings manipulation; KLD Analytics	Mixed, insignificant
(Mishra & Modi, 2012b)	192 U.S. Firms	2000-2009	Advertising Intensity	Panel study	Firm	KLD Analytics	Negative, insignificant
Fernandez-Kranz & Santalo (2010)	3,630 U.S. Firms	1994-2001	Dummy Variable	Panel Study	Firm	KLD Analytics	Mixed results
Brower & Mahajan (2012)	447 U.S. Firms	2000-2007	Compustat	Panel Study	Firm	KLD Analytics	Positive, insignificant

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
 - K. Basu & Hicks, 2008a; Bigné, Currás-Pérez, & Aldás-Manzano, 2012b; Binnekamp & Ingenbleek, 2008a; Handelman & Arnold, 1999a; Haugtvedt, Petty, & Cacioppo, 1992a; Hiscox & Smyth, 2006; Hudak, 2008; Hustvedt & Bernard, 2008a; S. Jones, Frost, Loftus, & Laan, 2007; Y.-J. Lee, Haley, & Mark, 2012a; Marks & Kamins, 1988a; Menon & Kahn, 2003; Pfau, Haigh, Sims, & Wigley, 2008; Romani, Grappi, & Bagozzi, 2012)
- Some recent research claims that CSR advertising is the long-sought missing link between CSR practices and financial performance (Du, Bhattacharya, and Sen 2010)

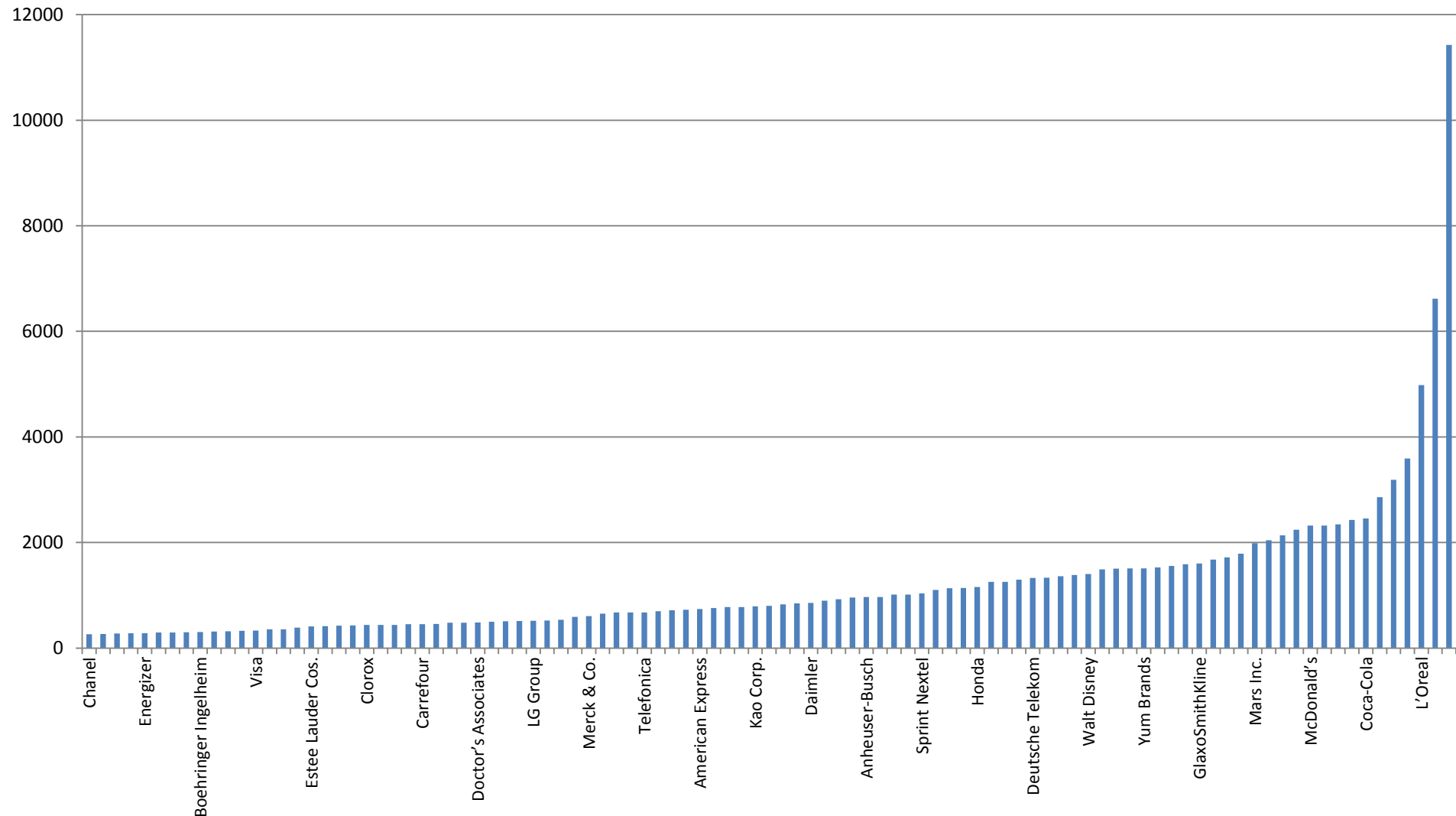
Measurement Issues: Why not more secondary-data studies?

- 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

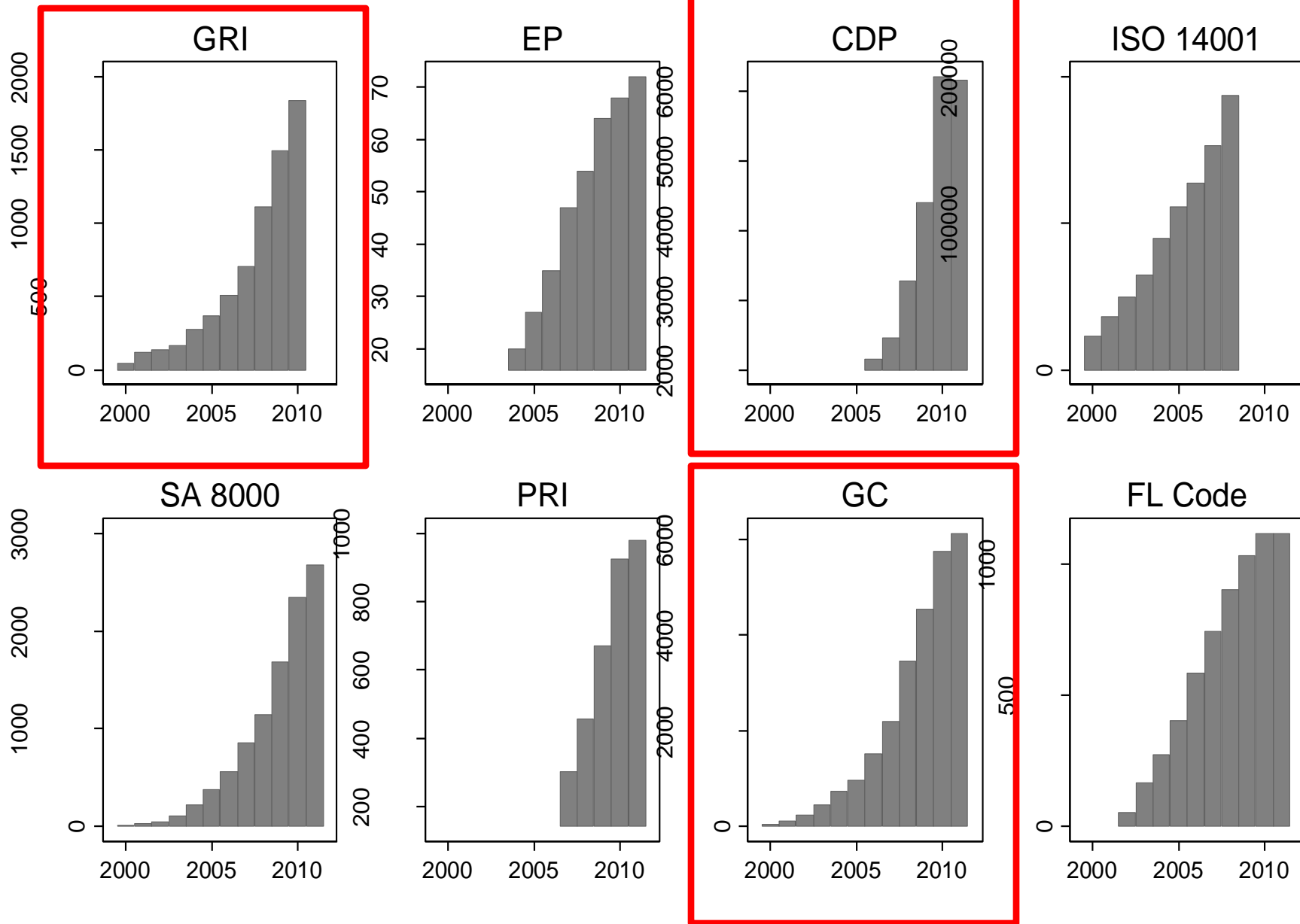
- **The “standard practice” is to measure advertising intensity**
 - divide advertising expenditures by revenues (Tuli, Mukherjee, and Dekimpe 2012:453)
- **Problems with advertising intensity**
 - More volatile than advertising expenditures alone
 - More missing values than advertising expenditures 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

Measurment: Advertising in Millions of Dollars for Every 4th Company in the Top 100 Advertisers in 2010

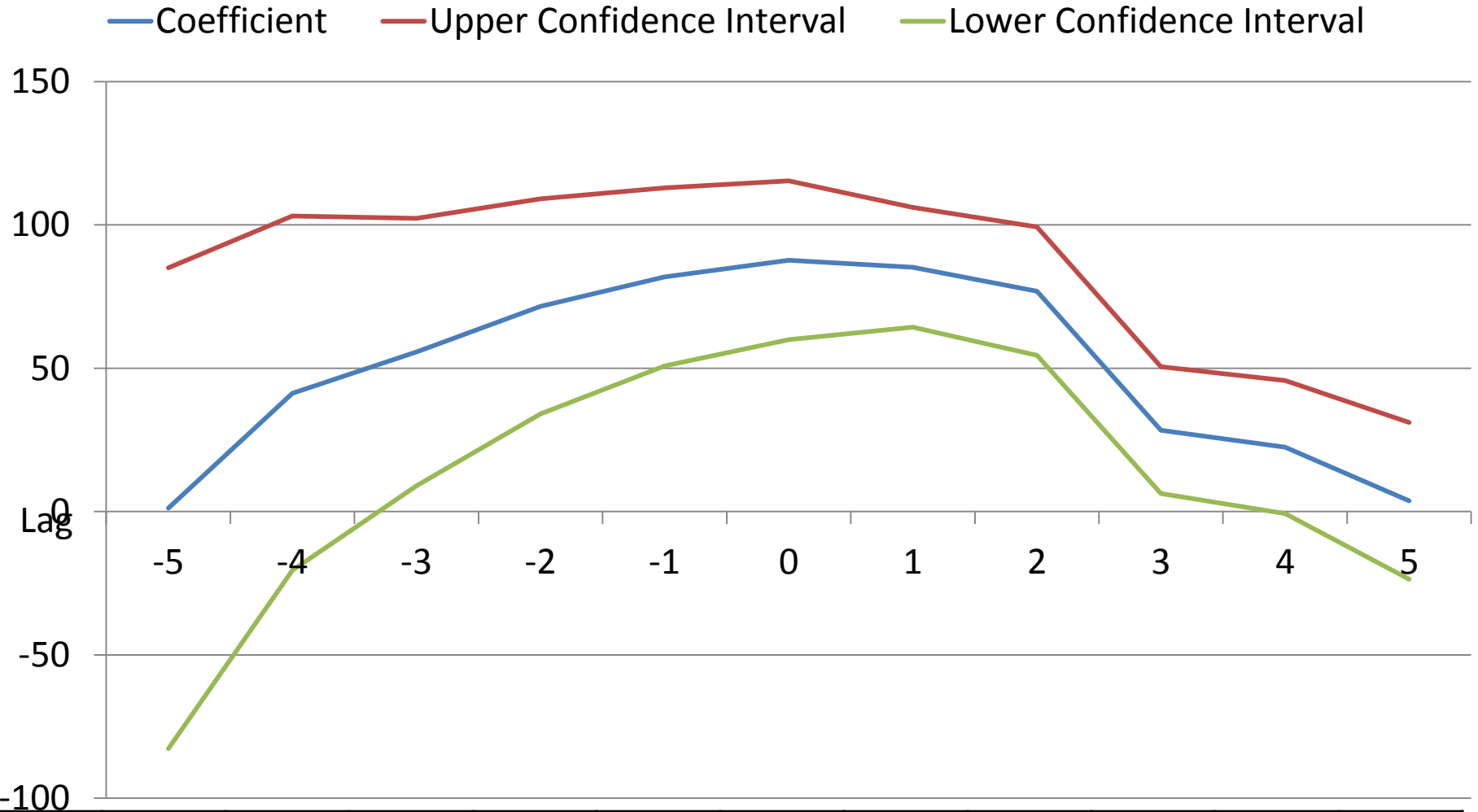


Source: Ad Age

Measuring CSR: Global CSR Initiatives



Company Fixed-Effect Coefficient of CSR Index (Predicting Advertising Dollars, unlogged)



N	307	411	516	615	714	816	811	803	703	599	494
Sig					**	**	***	***			

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