



THE HONG KONG
POLYTECHNIC UNIVERSITY
香港理工大學

School of
**ACCOUNTING
& FINANCE**
會計及金融學院



Center for Economic Sustainability
and Entrepreneurial Finance
可持續經濟與創業金融中心

Academic Perspective on the Interplay between ESG and Consumers

Presenter: Dr Yi Xiang



Outline

- **1. Do consumers care about corporate social responsibility (CSR)?**
 - What they care and why?
 - How much they care?
 - Where do they find such CSR information?
 - How they behave after knowing firms with bad CSR performance (a recent study)?
- **2. Do firms care about consumer interests by engaging in CSR?**
 - What is the most effective way? CSR reports?
 - Recent evidence?



Seeing the world
through
the eyes of the
customer

vs.



Seeing the world
through
the perspective
of the company

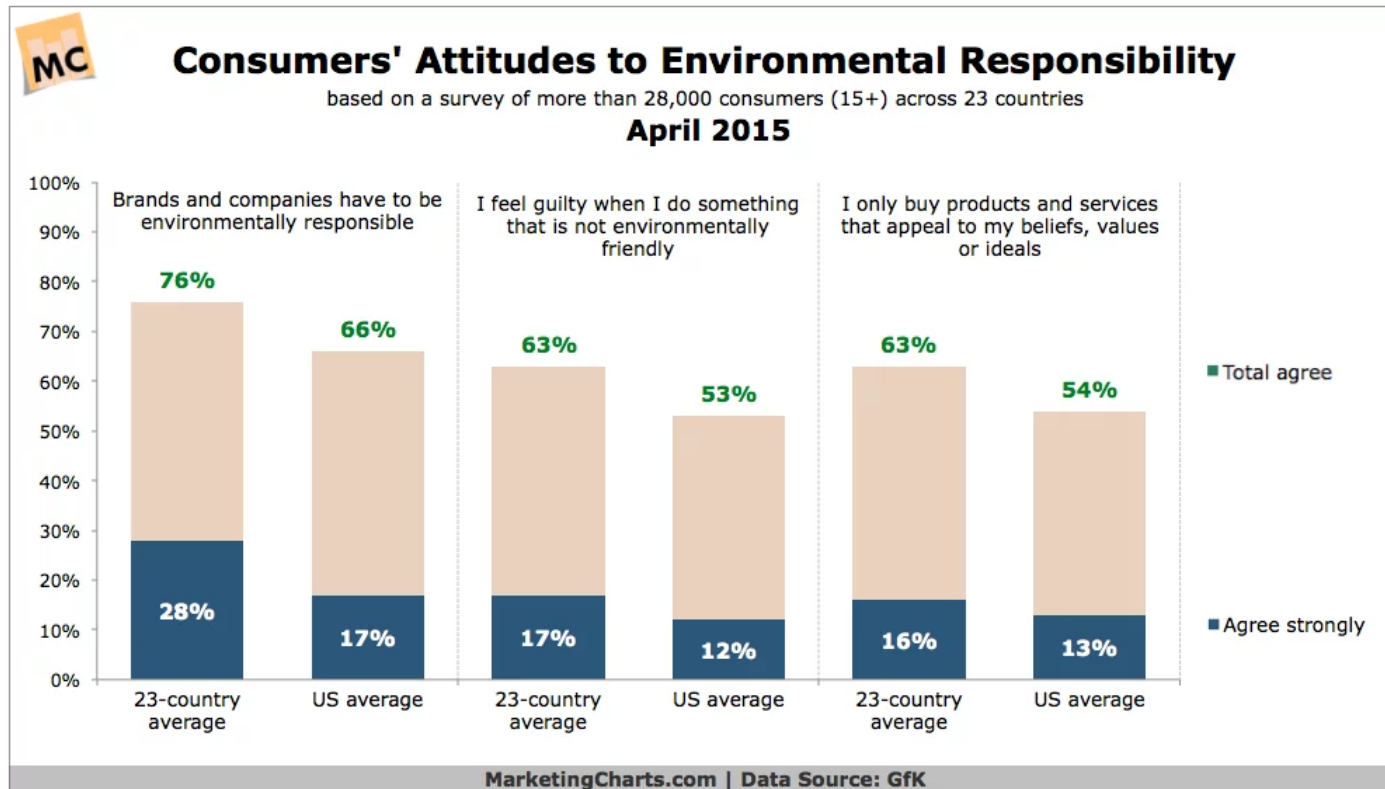


Do consumers care about CSR?





Do consumers care about CSR?



Seeing the world
through
the eyes of the
customer



Seeing the world
through
the perspective
of the company

vs.

What consumers care about in CSR?

Consumer Attitudes to Brands' Sustainability Efforts



Published on MarketingCharts.com in May 2021 | Data Source: Wunderman Thompson

Based on a survey of 4,000 adults (18+) in the US, UK, China and Brazil



Seeing the world
through
the eyes of the
customer

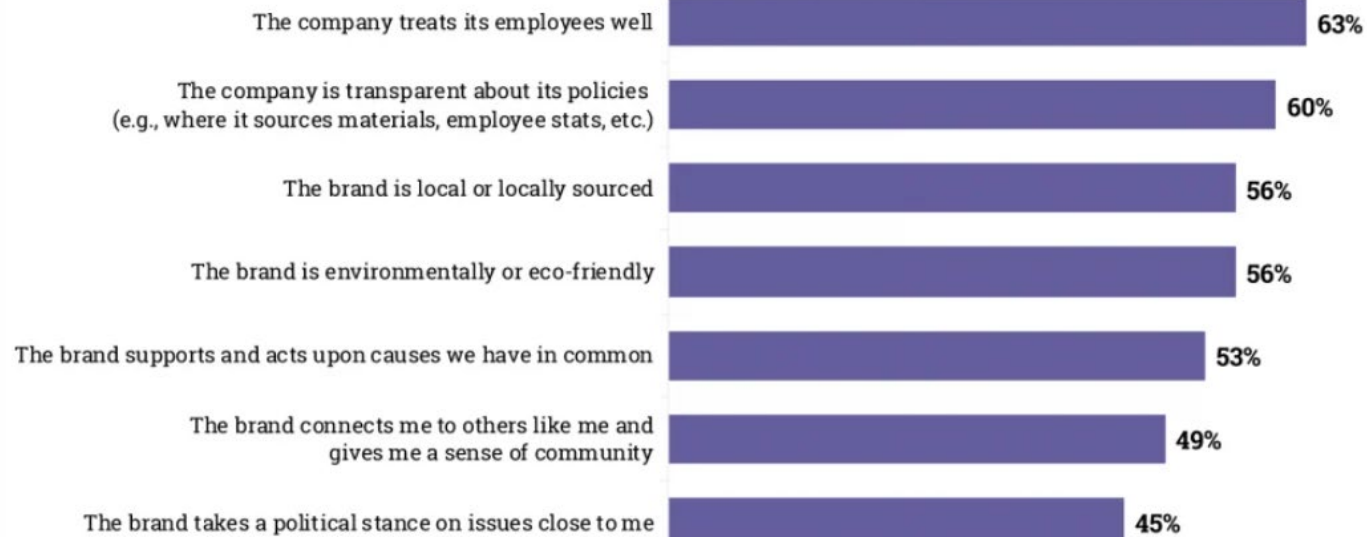


Seeing the world
through
the perspective
of the company



What consumers care about in CSR?

Most Influential Brand Activism Attributes to Consumers



Published on MarketingCharts.com in October 2021 | Data Source: Jungle Scout

Based on an August survey of 1,100 US adults (18+)



Seeing the world
through
the eyes of the
customer



Seeing the world
through
the perspective
of the company



What consumers care about in CSR?

- “While **quality and performance** (39%), **low prices** (35%) and **quality customer service** (35%) are the top three reasons why consumers say they purchase from a brand, others say they are likely to purchase from a brand that is committed to **sustainability** (21%), **represents a lifestyle they identify with** (21%) and represents **ethical standards they agree with** (20%).”



Seeing the world
through
the eyes of the
customer



Seeing the world
through
the perspective
of the company

vs.



What consumers think of CSR?

Academic research has identified different reasons for firms' CSR:

1. Other-centered (stakeholder-driven and values driven attributions):

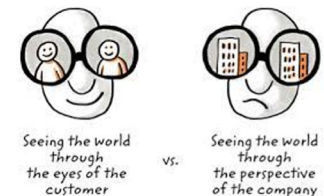
- consumers' perceptions that companies feel morally committed and see it as their responsibility to help.

2. Self-centered (strategy-driven and egoistically driven attributions)

- consumers' perceptions that companies engaging in CSR for strategic reasons (e.g., to increase their profits).

3. Win-win.

- Most consumers ascribe mixed motives to corporate engagement in CSR and view companies in a positive light when they credit CSR-related efforts with a combination of values-driven and strategic attributions.

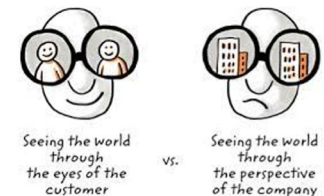




Why consumers care CSR?

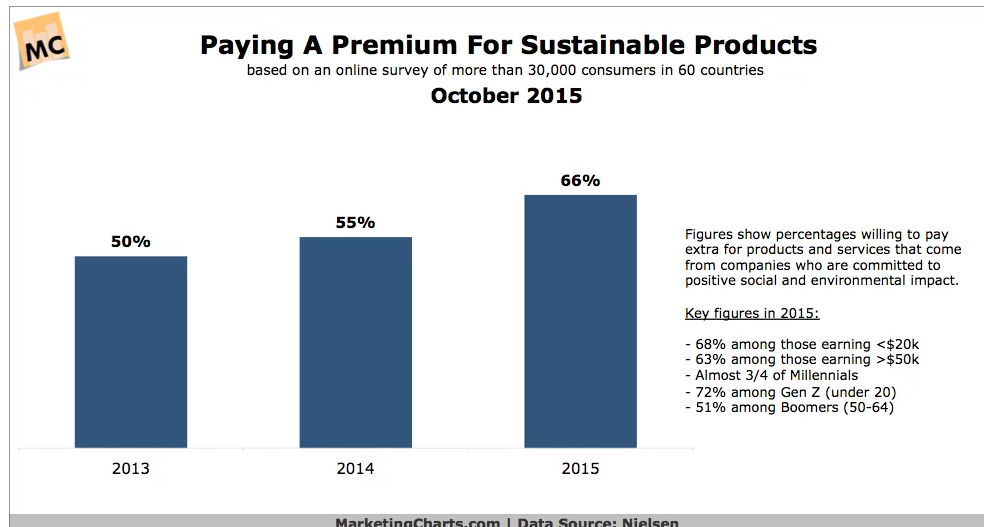
Academic research shows:

- Consumers tend to satisfy their personal values, such as prestige, status, self-esteem, and social acceptance from their consumption decisions.
- When consumers consider a company to be ethical and socially responsible, they are also more likely to believe that such ethicality will reflect on the quality of its goods/services





How much do consumers care about CSR?

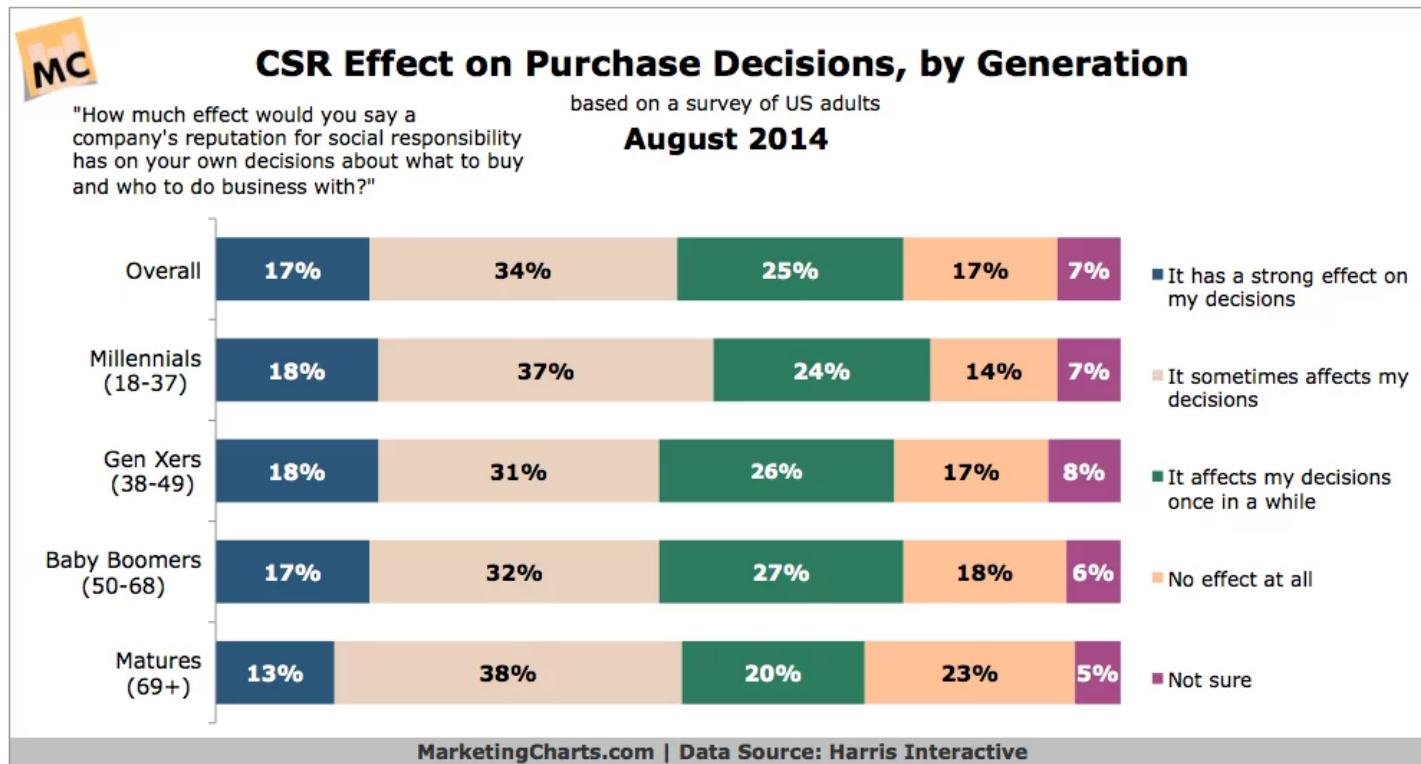


Seeing the world
through
the eyes of the
customer



Seeing the world
through
the perspective
of the company

How much do consumers care about CSR?

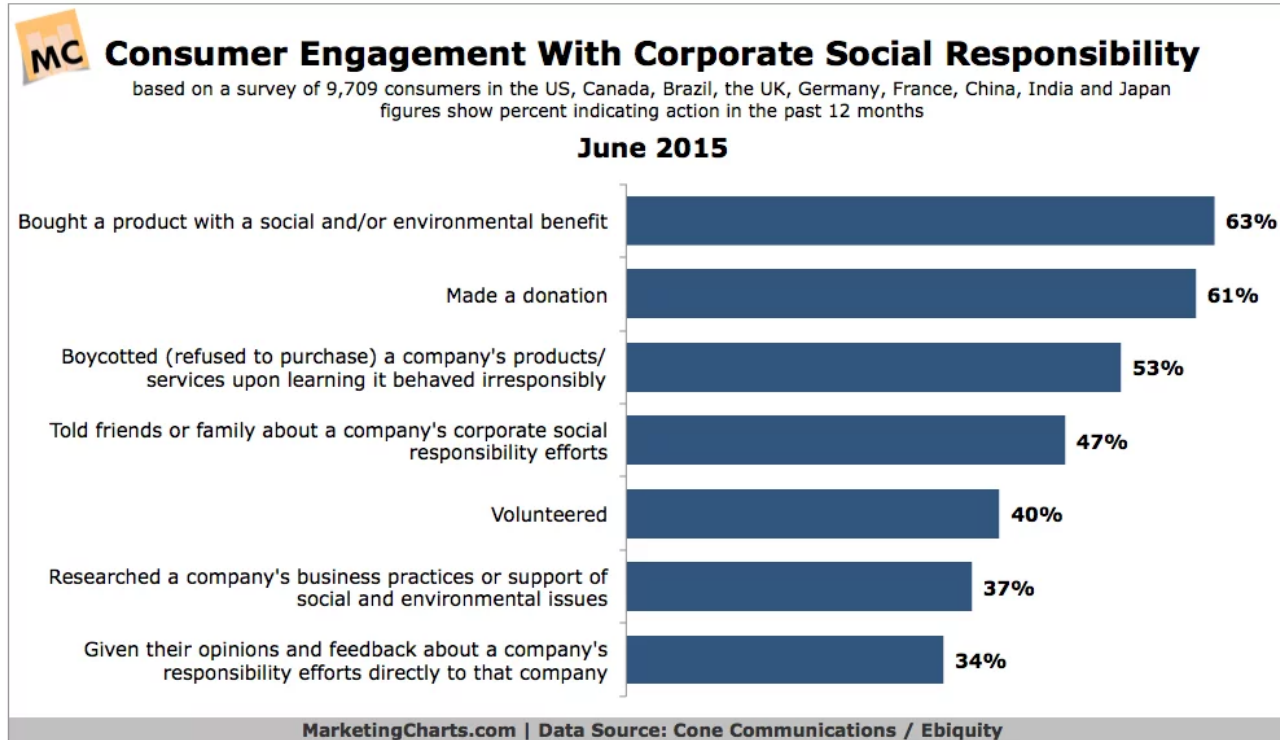


Seeing the world
through
the eyes of the
customer



Seeing the world
through
the perspective
of the company

How much do consumers care about CSR?



Seeing the world
through
the eyes of the
customer



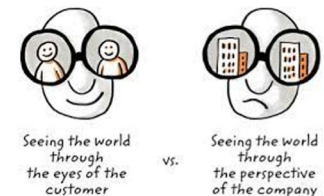
Seeing the world
through
the perspective
of the company



How much do consumers care about CSR?

Academic research has identified that:

1. CSR only has a positive effect on consumers' purchase intention when consumers are interested in the CSR activity and support it.
2. Moreover, there must be a good fit between the company's CSR activity and its business.
3. Irresponsible corporate behavior has been found to have a greater impact on consumers' purchase intention than responsible behavior.

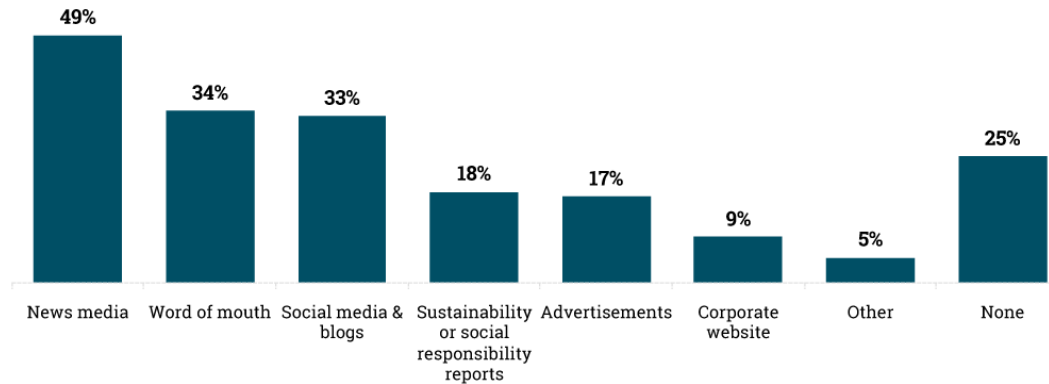




Where do consumers find such CSR information?

How People Learn About Business Efforts to Promote Sustainability

marketing
charts

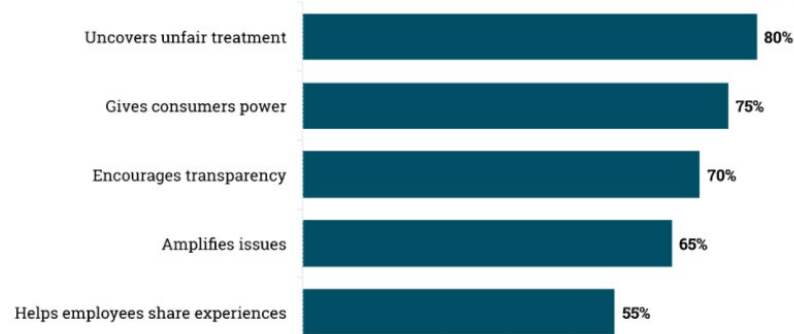


Published on MarketingCharts.com in September 2018 | Data Source: G&S Business Communications

Based on a survey of 2,659 US adults | Q: "Which of the following sources, if any, do you rely on for information about business efforts to promote sustainability – meaning environmental or social responsibility? Please select all that apply."

How Social Media Increases Brand Accountability

marketing
charts



Published on MarketingCharts.com in August 2017 | Data Source: Sprout Social

Based on a survey of more than 1,000 social media users ages 18-64



Seeing the world
through
the eyes of the
customer



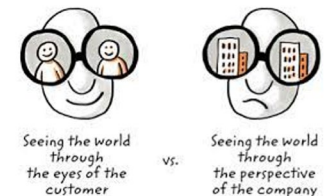
Seeing the world
through
the perspective
of the company



Where do consumers find such CSR information?

Academic research has identified that:

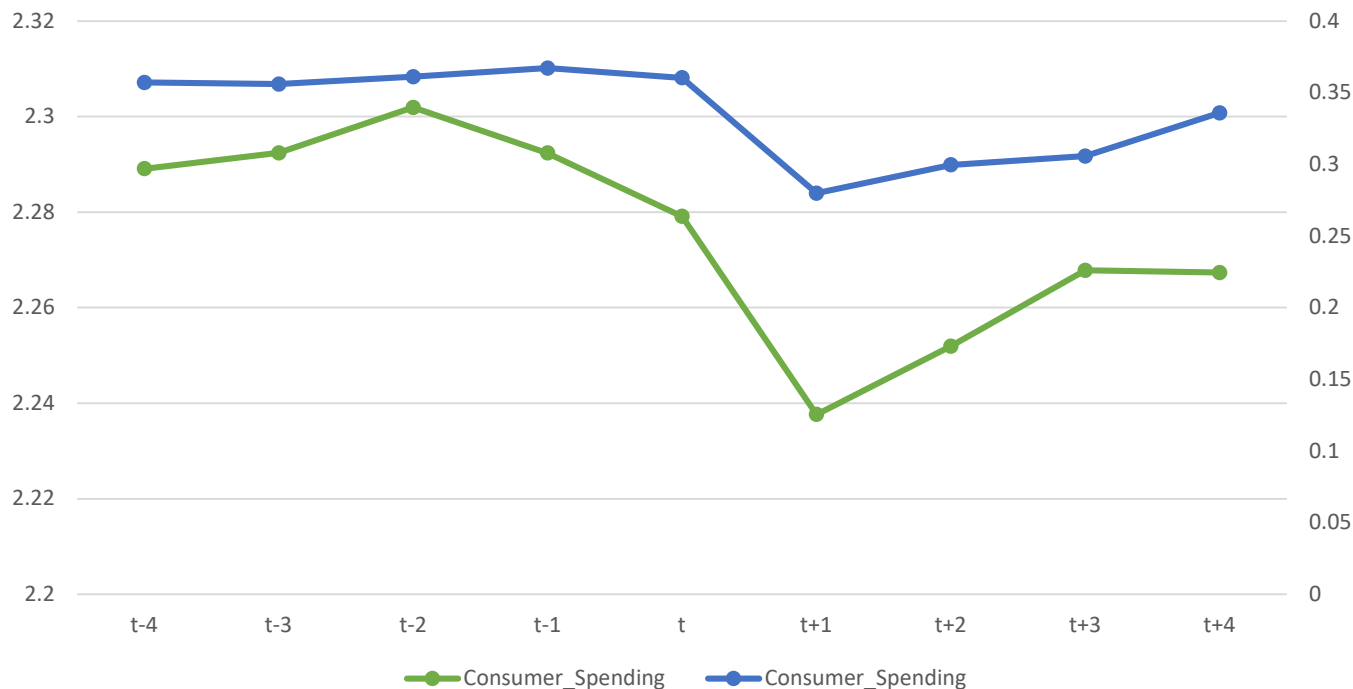
- Consumers' awareness plays a major role in the effectiveness of CSR activities.
- Various information sources such as media outlets and word of mouth, which talk about a company's CSR activities, are important for shaping a consumer's attitude and belief toward that company.
- Companies are increasingly faced with calls for more detailed information on the social and environmental impacts of their activities.





How they behave after knowing firms with bad CSR performance? (A research example)

Figure 1: Average Consumer Spending Around Negative CSR Events



Seeing the world
through
the eyes of the
customer

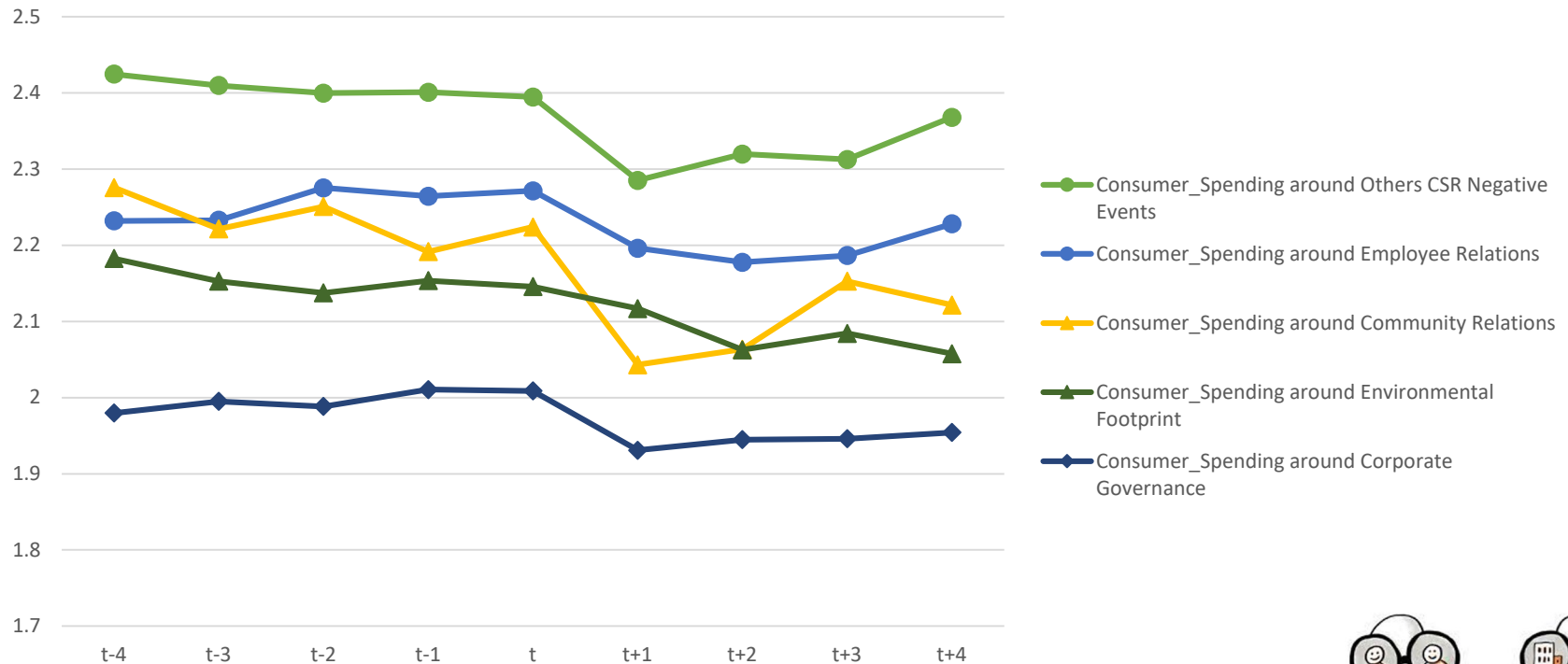


Seeing the world
through
the perspective
of the company



How they behave after knowing firms with bad CSR performance? (A research example)

Figure 2: Average Daily Consumer Spending around Five Main Negative CSR Events



Seeing the world
through
the eyes of the
customer



Seeing the world
through
the perspective
of the company



Do firms care about consumers by engaging in CSR?





Do firms care about consumers by engaging in CSR?

- To have a successful brand and retain customers, businesses must create trust with their target audience, and having a CSR strategy can help build a good reputation — and, in turn, earn trust and loyalty — among clients.
- Many forms of CSR involve businesses interacting directly with members of society, who may also be customers or potential customers. You can get direct feedback on what you are doing right and what your company needs to improve on. Word-of-mouth is still an effective form of advertising, and customers who have been part of the social responsibility created by a company are able to tell other potential customers about the business.

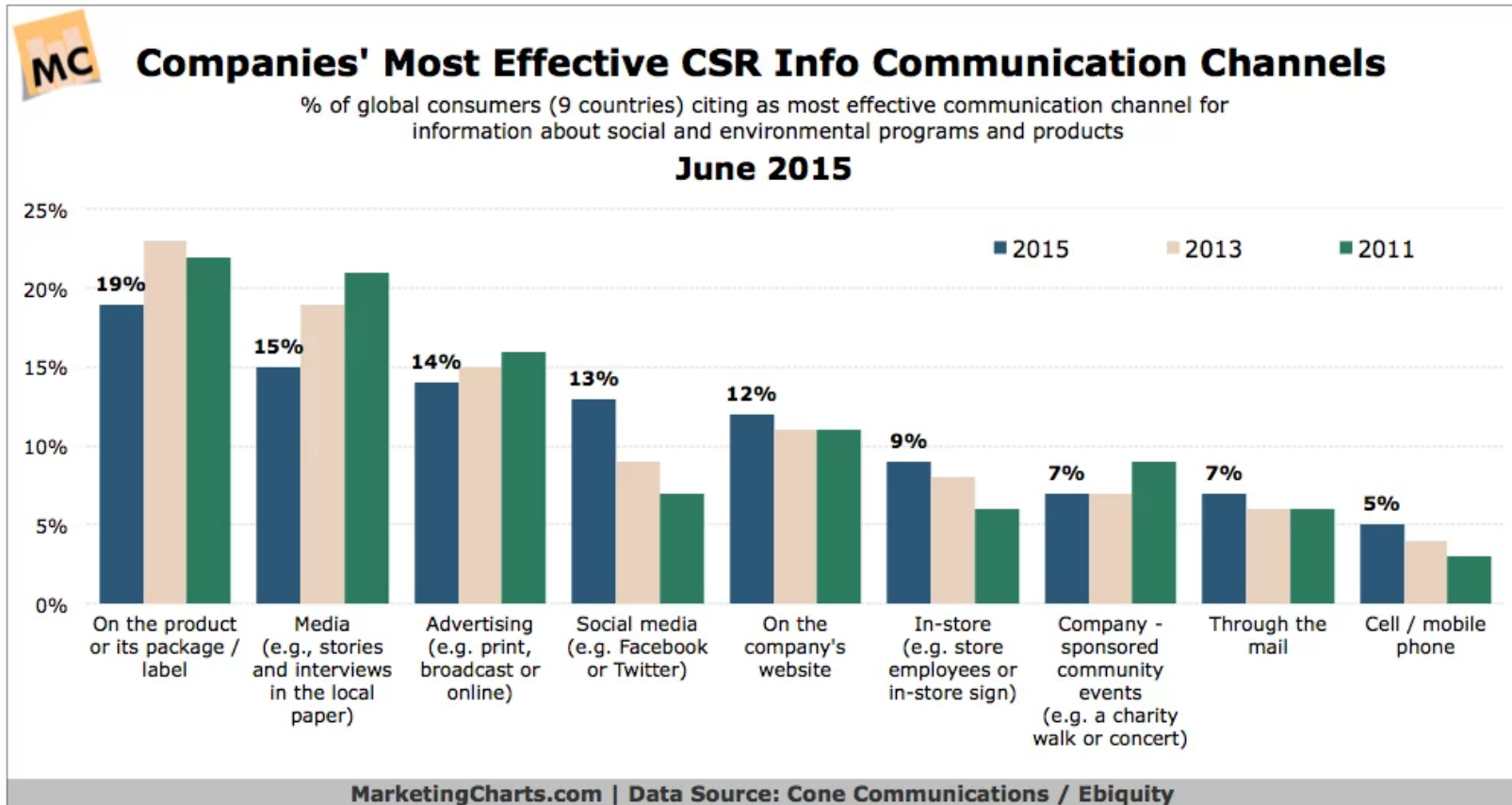


Do firms care about consumers by engaging in CSR?

- This is because failure to do so would lead consumers to boycott their products or services.
- Consumers' word-of-mouth is an effective form of advertising because customers are able to tell other potential consumers about the company.
- Dissatisfied customers tend to spread negative word of mouth and switch to another service provider.
- Consumer activism, protests, and boycotts can force firms to improve the quality of goods and services.



What is the most effective ways of communication?



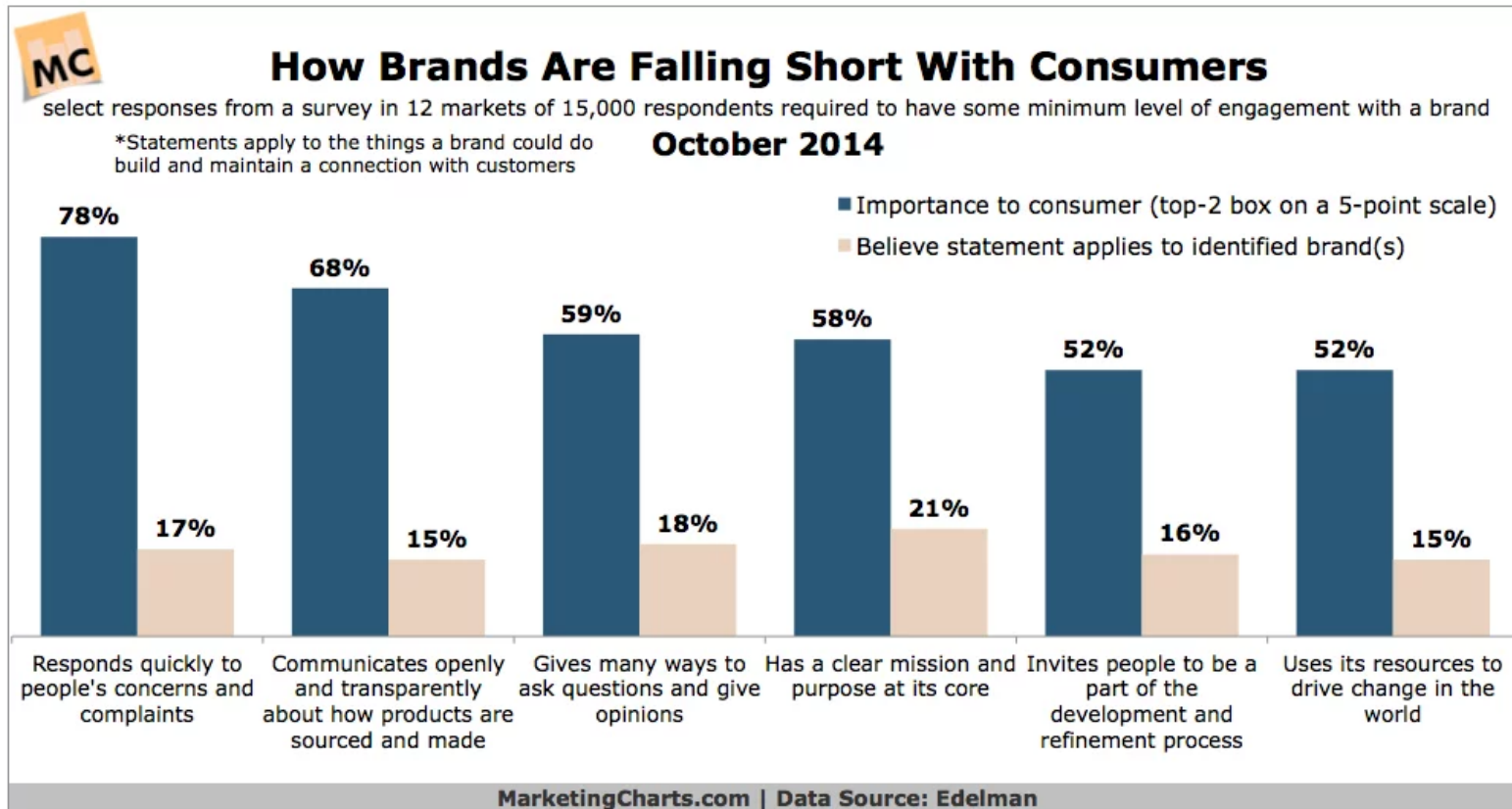
Seeing the world
through
the eyes of the
customer



Seeing the world
through
the perspective
of the company

vs.

What is the most effective ways of communication?



Seeing the world
through
the eyes of the
customer

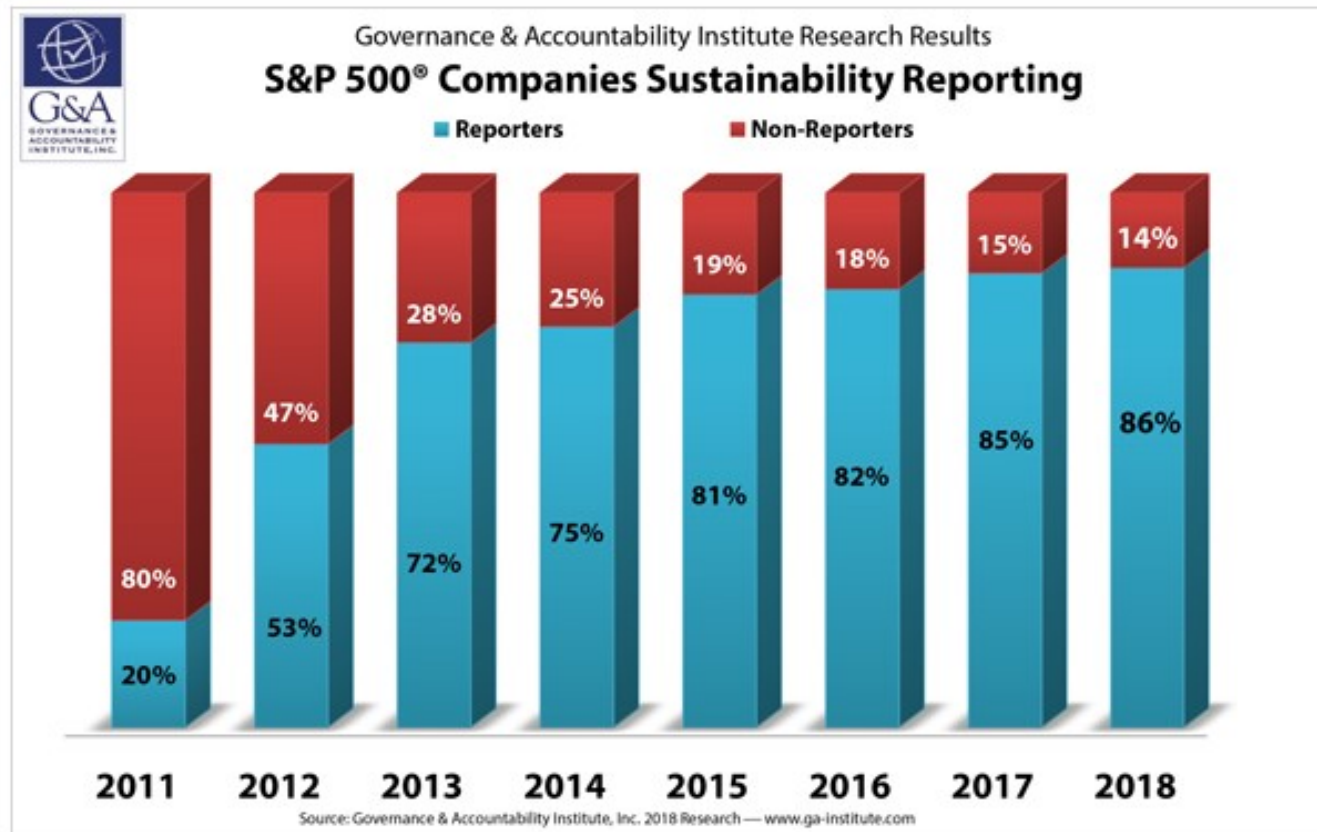


Seeing the world
through
the perspective
of the company

vs.



CSR Reports?



Seeing the world
through
the eyes of the
customer



Seeing the world
through
the perspective
of the company

vs.

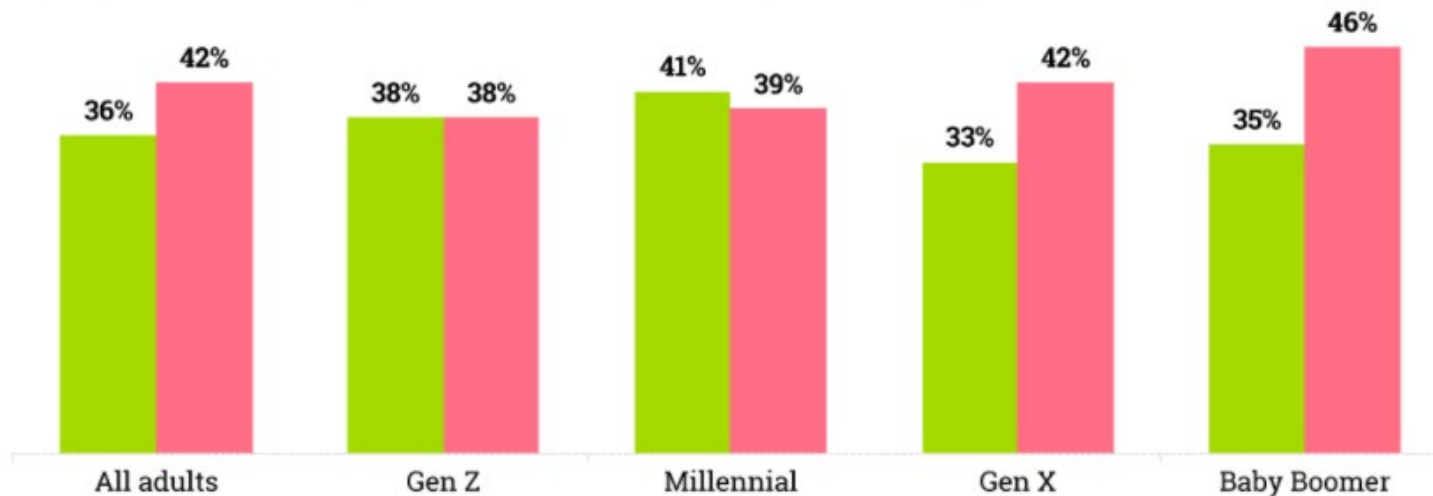


CSR Reports?

Should Brands Tout Their CSR Commitments?



- I like it when companies and brands show off their commitment to issues that go beyond their own bottom line
- Companies and brands try too hard to make it look like they care about things besides their own bottom line



Published on MarketingCharts.com in January 2020 | Data Source: Morning Consult / PRWeek

Based on a January 2020 survey of 2,201 US adults | Remaining adults answered "Don't know / No opinion"



Seeing the world
through
the eyes of the
customer



Seeing the world
through
the perspective
of the company



CSR Reports?

“When it comes to social responsibility, consumers are **looking for brands to show them – not just tell them – what they’re doing,**” said Sheila McLean, president of Markstein, mid-Atlantic. “Navigating these expectations is not easy. Brands need a much deeper understanding of their customers’ values as they chart their own social responsibility course. They need to demonstrate real impact over time.”

(Source: BUSINESS WIRE: Consumers Expect the Brands they Support to be Socially Responsible)



Seeing the world
through
the eyes of the
customer



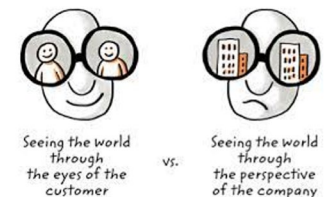
Seeing the world
through
the perspective
of the company

vs.



CSR Reports?

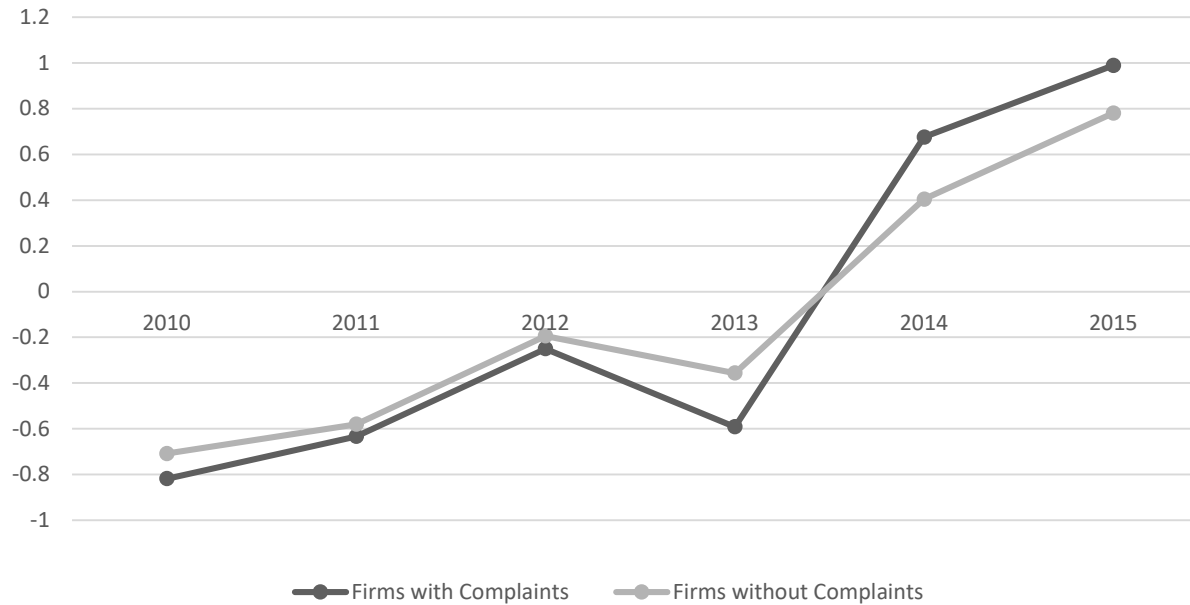
- “In a survey of more than 55 000 consumers across the 15 largest markets in 2013, the Reputation Institute found that CSR suppliers commonly suffer from problems, such as **irrelevance of CSR initiatives** to consumers and other stakeholders and a **poor fit of CSR activities** with core business.”





Recent Evidence?

Figure 1: Annual Average CSR_SCORE, 2010-2015



The sample period includes:

2010-2011: The pre-CFPB inauguration period;

2012-2013: The post-CFPB inauguration but pre-CFPB disclosure period;

2014-2015: The post-CFPB inauguration and post-CFPB disclosure period.



Recent Evidence?

- After receiving consumer complaints, firms in the U.S. tend to:
- improve their CSR performance;
 - reduce CSR concerns rather than increase CSR strengths;
 - have a significant spillover effect on non-complaint firms domiciled in the same city or the state as complaint firms;
 - get less negative impact of consumer complaints on the firm value after improving CSR;
 - get fewer future complaints after improving CSR.



Recent Evidence?

- Although consumer complaints against financial institutions are not associated with firms' CSR performance per se, firms increase their CSR performance following the public disclosure of consumer complaints by the U.S.
- Taken together, our findings suggest that both consumers and regulators play an important role in firms' CSR performance.



THE HONG KONG
POLYTECHNIC UNIVERSITY
香港理工大學

School of
**ACCOUNTING
& FINANCE**
會計及金融學院



Center for Economic Sustainability
and Entrepreneurial Finance
可持續經濟與創業金融中心

Thank you for all your attention!

