

CORPORATE SOCIAL RESPONSIBILITY1

Report:

CORPORATE SOCIAL RESPONSIBILITY AS AN EFFECTIVE MARKETING TOOL

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EXECUTIVE SUMMARY

Companies can gain business benefits from their existing and future Corporate Social responsibility initiatives. These can help increase the company's revenue as well as its productivity. The importance and the benefits of CSR clearly outweigh its costs, especially as expectations about accountability and corporate citizenship grow, from both its customers and employees.

The report aims to determine the effectiveness of Corporate Social Responsibility as a marketing tool. This includes understanding the elements that make these initiatives successful by looking at Canadian companies with best CSR initiatives.

The report studies the following to determine the impact and implementation of CSR initiatives-

- **Impact.** Corporate Social Responsibilities initiatives help drive revenue and profits by helping improve company perception, increasing customer loyalty, acting as an insurance against adverse harms in reputation crises and boosting employee retention and efficiency. There are costs associated with CSR, but they are recovered by long-term business benefits.
- **Best CSR initiatives.** Companies like Maple Leaf Foods, Telus, and Vancity have some of the best CSR initiatives in Canada ranging from charity efforts to sustainability goals.
- **Elements.** Successful CSR program includes a clear purpose that is based on input from stakeholders and aligns business goals. It is implemented with honesty and in partnership with experts.

Based on the findings, it is recommended companies engage in more Corporate Social Responsibility efforts, pursuing a combination of the four elements.

- Focus on environmental and sustainability initiatives as well as programs that align with the company's business goals.
- Involve key stakeholders in key decision-making processes.
- Be honest and transparent and partner with experts.
- Be careful about avoiding untrue or embellished claims as consumers are increasingly aware of greenwashing.

PROBLEM

The report was aimed to determine whether Corporate Social Responsibility is an effective marketing tool. Specifically, it seeks to answer these questions:

- Do CSR initiatives generate more sales?

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- Do the benefits of the CSR outweigh the costs?
- Which companies have the best CSR initiatives in Canada and how does it benefit them?
- What are the main elements of a successful CSR program?

BACKGROUND

CSR is a business model in which a company holds itself socially accountable to itself, its stakeholders, and the public at large. It includes environmental, philanthropic, ethical, and economic responsibilities.

Data for this report comes from various secondary studies and reports. This includes a comprehensive report on employee expectations by Atlassian and PwC, two studies about CSR's impact on economic value of innovation and employee retention published in SSRN Journal, a study on CSR and brand perception in Sustainability Journal, a study on Strategic Management Journal on strategic insurance impact of CSR and an IO Sustainability study on financial benefits of CSR.

This report also contains insights from Clean 50, Harvard Business Review, Impacttree, Inc., Mindell, Mindshare, Perry, and The CSR Journal. Company information and CSR initiatives of Maple Leaf Foods, Telus, and Vancity are taken from their respective company websites.

DISCUSSION- BUSINESS IMPACT, EXAMPLES AND ELEMENTS

The report discusses the potential impact and implementation of Corporate Social Responsibility projects. These discussions are presented in three parts: (a) Business Impact, (b) Companies with best Corporate Social Responsibility initiatives, and (c) Elements of successful Corporate Social Responsibility.

Business Impact

Successful Corporate Social Responsibility initiatives positively impact crucial aspects of a business that drive revenue and profit of a company. Even benefits that appear intangible translate into substantial profits to the business. There are costs to implementing CSR initiatives but over the long run, they are covered by the business benefits.

Brand Perception

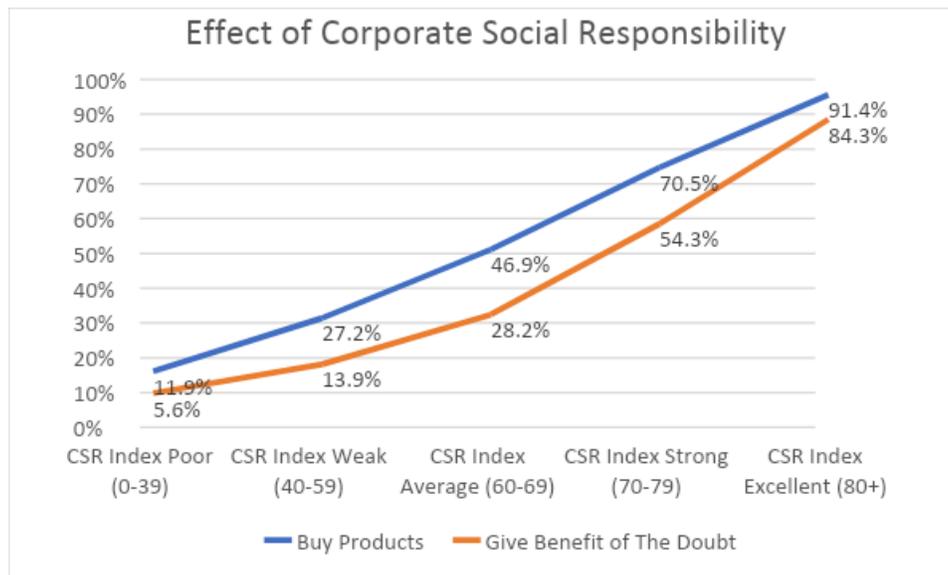
Research indicates that Corporate Social Responsibility initiatives have a direct positive impact on companies' brand credibility and reputation. Consumers are increasingly aware of social issues and want companies to meaningfully contribute to the communities and environment they operate in. CSR initiatives allow companies to fulfill these expectations and gain their trust. The positive impression of a brand due to its CSR efforts causes people to recognize the brand more easily. It also allows them to distinguish the products of that brand from others (Wang et al., 2021).

Customer Loyalty

Consumers are more likely to buy from a company that performs better in CSR, especially when the initiatives align with their core values and beliefs. CSR initiatives attract customers and enable them to form close trust-based bonds with companies. These customers have high loyalty and are less price elastic i.e., they will buy from the company even if it costs them more to do so (Im et al., 2020). Moreover, long-term CSR can act as an insurance against adverse impact in a crisis. This happens as a safety net is created by the positive image of the company. Thus, the customers are less likely to ascribe moral value to that event and consider it a one-off mistake rather than the company's standard practice. This can be observed in the drop in stock and bond prices of companies in events like product recalls. (Shiu & Yang, 2016). According to research by IO Sustainability, CSR can increase sales by about 20% (Inc., 2018).

Figure 1

THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON CONSUMERS' PROPENSITY TO BUY PRODUCTS AND GIVE COMPANIES BENEFIT OF THE DOUBT IN CASE OF NEGATIVE PUBLICITY.



Source: Perry, P. *CSR Basics: What's the purpose of Corporate Social Responsibility (CSR)?* Submittable Blog, 2021.

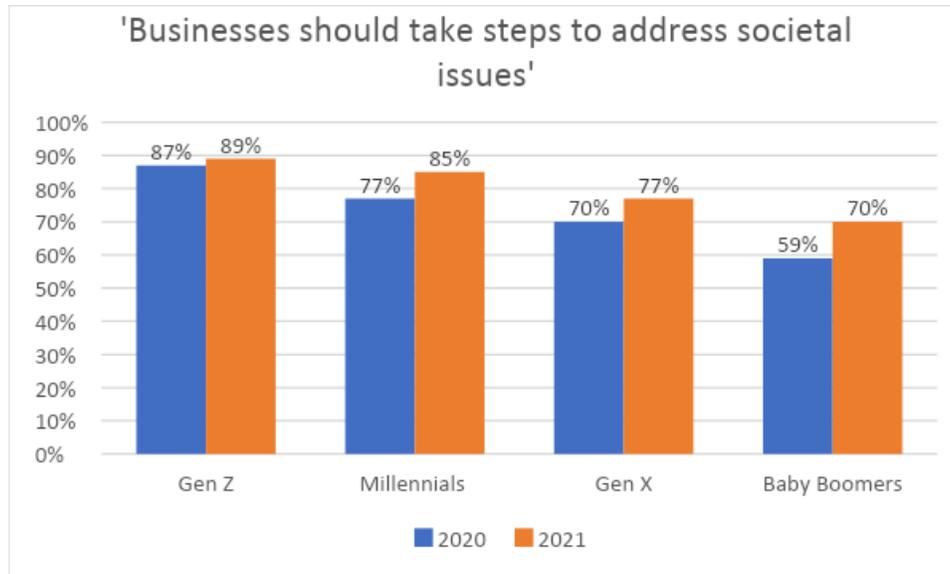
Employee Retention and Productivity

Research indicates that companies with good CSR programs retain their employees better, even reducing turnover by half. This reduces the companies' cost of rehiring employees (Cen et al., 2022; Inc., 2018). This is corroborated by the fact that employees' expectations of their employers to act on societal issues is increasing. According to a report by Atlassian and PwC,

89% Gen Z and 85% Millennials agree or strongly agree that businesses should take specific steps to address these issues (Atlassian & PwC, 2021).

Figure 2

PERCENTAGE OF EMPLOYEES AGREEING OR STRONGLY AGREEING THAT BUSINESSES SHOULD TAKE STEPS TO ADDRESS SOCIETAL ISSUES IN 2020 AND 2021, BY GENERATIONS

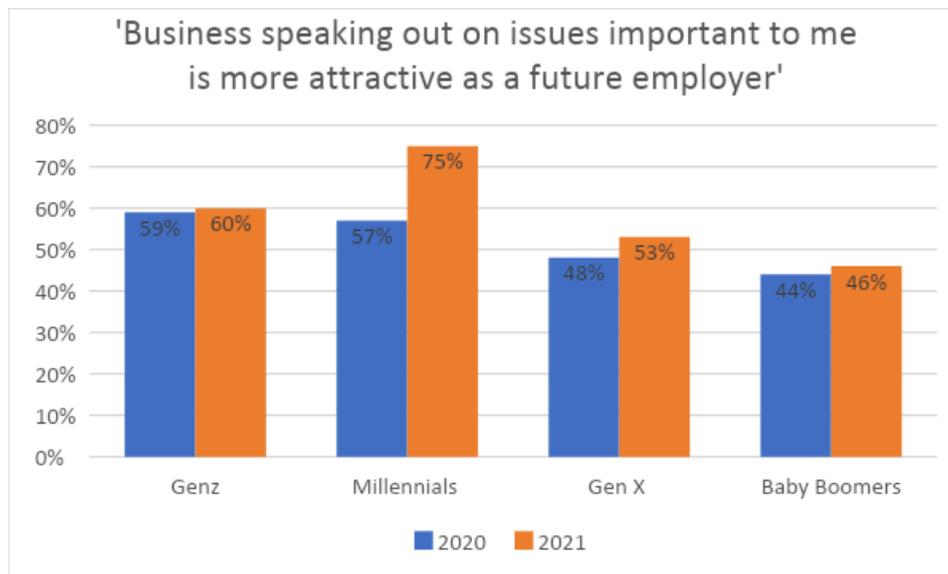


Source: Atlassian and PwC. *2021 Return on Action Report US*. Atlassian, 2022, p. 22.

CSR can not only retain existing employees but also attract new employees. The same study shows that, in 2021, a third quarter of millennials see a business speaking out about an issue important to them as an attractive future employer (Atlassian & PwC, 2021).

Figure 3

PERCENTAGE OF EMPLOYEES AGREEING THAT A BUSINESS SPEAKING OUT ON AN ISSUE IMPORTANT TO THEM IS MORE ATTRACTIVE AS A FUTURE EMPLOYER IN 2020 AND 2021, BY GENERATION



Source: Atlassian and PwC. *2021 Return on Action Report US*. Atlassian, 2022, p. 43.

Further, CSR programs also motivate employees and improve their performance. Research indicates it may increase productivity by 13% (Inc., 2018; Sia Partners, 2021).

Costs

CSR initiatives incur repeated costs and there is also a substantial opportunity cost of investing money in these initiatives. However, research indicates that over the long-term, CSR increases profitability and covers the cost spent on it. Thus, bigger companies can afford to invest in CSR and reap business benefits later (Impactree, 2021; Inc., 2018).

Companies with best Corporate Social Responsibility initiatives

Discussing some of the best CSR programs can help in understanding how companies should approach CSR. This section discusses the CSR initiatives run by three Canadian companies: (a) Maple Leaf Foods, (b) Vancity, and (c) Telus

Maple Leaf Foods Inc.

The company is on its way to become the most sustainable protein company on the earth for which it won Clean 50 Top Project Award (Clean 50, 2021). It has net zero carbon emissions. They further aim to cut their environmental footprint by 50% by 2025. It has established 'The Maple Leaf Centre for Food Security' which is committed to reducing food insecurity in Canada by 50% by 2030 (Maple Leaf Foods, 2022b). After the COVID-19 outbreak, it has raised \$2 million to support emergency efforts for food relief. It has also been a long-term partner of UNICEF (The CSR Journal, 2021). The company's ethical practices and purpose driven approach made it Forbes World's Best Employers List (Maple Leaf Foods, 2022a).

Vancity (Vancouver City Savings Credit Union)

Vancity is a financial co-operative from Vancouver. It is the first North American financial institution to achieve carbon neutrality. It is committed to monitoring the carbon footprint of its loans and investments worldwide. It financed environmental sustainability projects with \$117 million in 2019. It provides annual grants for projects that ‘improve financial resilience, reduce carbon emissions, and advance Racial Justice and Reconciliation’ through its community partnership program. 30% of Vancity’s profits go to social and environmental solutions. As a result of its initiatives Vancity has been widely praised and has been recognized as one of Canada’s Best Corporate Citizen for thirteenth consecutive year (Vancity, 2022).

Telus Communications Inc.

Telus supports 500 local charities supporting youth and awards grants to local socially innovative community projects. Telus team members and retirees have contributed \$1.4 billion dollars to charities since 2000. It has set up Telus Pollinator Fund for Good, a 100 million social impact fund for companies that drive social and environment change. The company aims to achieve net carbon neutrality and become zero waste by 2030. Telus Health for Good mobile clinics provide primary health care and mental health support to marginalized communities. The company was awarded Sustainability Excellence Award at World Sustainability Awards 2022 (Telus, 2022).

Elements of Successful Corporate Social Responsibility

Success of a CSR program relies on carefully choosing a purpose that aligns with the company's values and goals as well as implementing it with integrity and expertise.

Business based Social Purpose

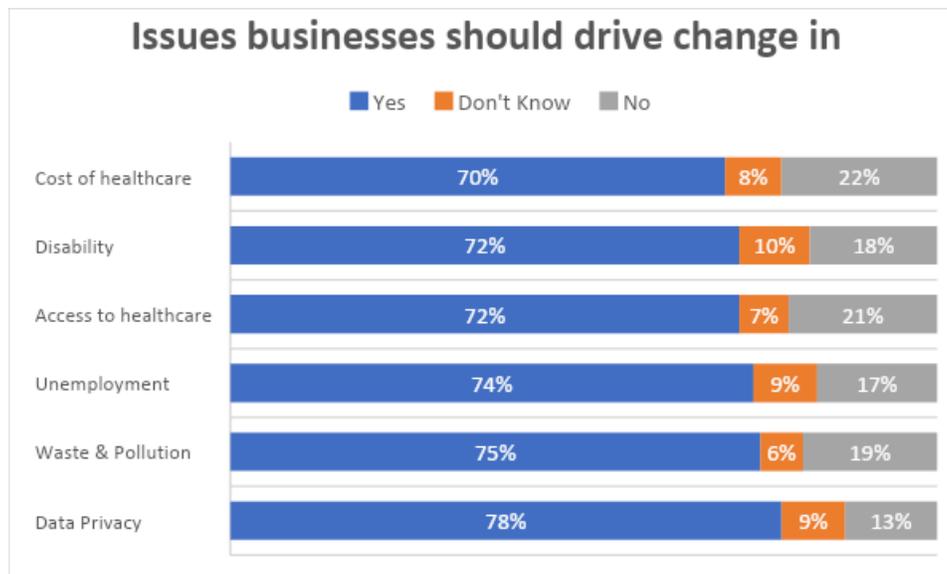
Successful CSR initiatives incorporate the company’s business purpose and mission. They utilize the company’s operational knowledge and expertise in their programs. Their CSR and business goals should align with each other (Mindell, 2022).

Stakeholder Input

Companies with successful CSR seek input from key stakeholders to develop the strategic direction for their CSR initiatives. They involve customers, employees and local communities in their decision making to understand what issues are most important to them and how to best implement plans to solve them. CSR has the greatest impact if people who will be directly affected by the initiatives and those who will work on them participate in them. This also amplifies the business benefits of the program like customer loyalty and employee retention (Mindell, 2022). Employees believe that companies should use their resources to drive change in the issues shown in the graph below (Atlassian & PwC, 2021).

Figure 4

EMPLOYEES BIGGEST SPECIFIC SOCIETAL ISSUES FOR WHICH BUSINESSES SHOULD USE THEIR RESOURCES AND INFLUENCE TO CAUSE CHANGE



Source: Atlassian and PwC. *2021 Return on Action Report US*. Atlassian, 2022, p. 27.

Clarity and Specificity of Purpose

The best CSR focuses on clear and specific issues the company wants to work on and goals it wants to accomplish. Instead of trying to do everything, in which case it is difficult to create any concrete impact, they address singular objectives where they can make the greatest impact. This also enables consumers to identify the company with that initiative definitively (Mindell, 2022).

Partnerships with Experts

Companies may not have knowledge and systems needed to fully implement their CSR goals. That is why best companies with successful CSR partner with experts in the field they seek to make change in. This can help organizations build on and add to others' work, creating greater impact through collaboration. Partnerships with experts and non-profit organizations helps build credibility that not only builds better brand perception but also expands the work they can do (Mindell, 2022).

Honest Action and Transparency

Many companies make claims but do not follow through on their CSR goals with action. This causes consumers to see them as dishonest, untrustworthy, and opportunistic and can lead to their negative perception. Consumers are increasingly concerned about 'greenwashing' where companies claim to be more environmentally conscious than they are (Mindshare, 2022). Successful CSR programs are honest about their goals, follow through on their promises and transparent about the outcomes of their programs (Mindell, 2022).

CONCLUSIONS

Analysis of various studies published in various journals, and Corporate Social Responsibility programs of three companies leads to following conclusions about CSR, its impact, and its implementation:

1. Successful CSR programs improve brand perception and thus, increase their customer loyalty. This increases their revenue and protects them against adverse impact in case of events that otherwise cause great reputational harm.
2. CSR initiatives help companies retain their employees longer and improve their efficiency. This boosts productivity and is beneficial for the bottom line.
3. The cost of carrying out CSR initiatives doesn't outweigh its benefits for a large company like McCain.
4. Maple Leaf Foods, Telus and Vancity have successful CSR programs that focus on environmental sustainability and other specific goals that align with their companies' businesses. These companies have gained recognition for their programs.
5. The purpose of best CSR initiatives is clear and specific and is based on companies' business purpose and input from stakeholders. These goals are carried out in partnerships with experts.
6. Successful CSR initiatives are honest in their communication about their goals, plans, actions, and outcomes.

RECOMMENDATIONS

The findings and conclusions in this report support the following recommendations to efficiently use Corporate Social Responsibility as a marketing tool.

- Expand Corporate Social Responsibility program to improve brand perception and customer loyalty.
- Conduct surveys to understand what issues are most important to the customers, employees, and other stakeholders. Implement these with the help of experts in those fields.
- Be honest about CSR initiatives and actions taken to implement them; inform the public about their outcome. This transparency is important as consumers are increasingly concerned about greenwashing.
- Focus on sustainability and aim to become carbon neutral by the end of the decade by developing innovative green technology.
- Develop initiatives that align with business goals e.g., working to eliminate food insecurity and hunger.

APPENDIX

Research Sample for figures 2, 3, and 4

	2020 N=2421		2021 N=2391	
Gen Z (21-24)	246	10%	213	9%
Millennials (25-42)	989	41%	996	42%
Gen X (43-54)	681	28%	630	26%
Baby Boomers (55-65)	505	21%	552	23%
Male*	1147	47%	1194	50%
Female	1258	53%	1189	50%
Other	16	0%	8%	0%
East	442	18%	497	21%
Midwest	528	22%	583	24%
West	515	21%	460	19%
South	936	39%	851	36%
Urban areas	2097	87%	2051	86%
Other	324	13%	340	14%
Information, media, and telecommunications	409	17%	415	17%
Financial and insurance services	402	17%	409	17%
Professional, scientific and technical services	402	17%	350	15%
Manufacturing	401	17%	388	16%
Retail	405	17%	411	17%
Health	402	17%	418	17%
Employees of micro 5-1	151	6%	117	5%
Employees of small 10-99	510	21%	48	20%
Employees of med 100-499	477	20%	518	22%
Employees of large 500+	1283	53%	1267	53%

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