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From Corporate Social Responsibility to Market Demand: The Role of Brand Management

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Brand managers increasingly appeal to altruistic consumer motives by emphasizing corporate social responsibility (CSR) in marketing communication. However, little empirical evidence describes how CSR converts into market demand. This study investigates the dimensions of CSR that conspire with dimensions of brand equity to drive brand performance, by combining firm-level data on CSR, customer-based brand equity, market demand, and covariates covering 256 companies over a 15-year period. The findings show that internal CSR concerns relate negatively to brand associations as well as brand performance. Moreover, the demand effect of CSR can be fully explained by brand equity, underscoring the relevance of branding for CSR management. In particular, brand esteem and familiarity mediate the link between ethicality and market outcomes. Specifically, coping with CSR concerns appears to be important. In our data, perceived brand differentiation is unaffected by low responsibility, but ethical concerns undermine customers' quality expectations and brand identification, suggesting managing CSR crises has better prospects when the associated brand equity dimensions are addressed.

The business impact of corporate social responsibility (CSR) has been of interest across various fields of research, including general management (Aguinis and Glavas 2012; Ailawadi et al. 2003; McGuire et al. 1988; McWilliams and Siegel 2001; McWilliams and Siegel 2011; Peloza 2009), strategic management (Barnett and Salomon 2012; Brammer and Millington 2008; Godfrey et al. 2009; Hillman and Keim 2001; McWilliams and Siegel 2000; Roberts and Dowling 2002; Surroca et al. 2010; Waddock and Graves 1997) and organization science (Margolis and Walsh 2003; Wang et al. 2008). Although the empirical findings vary, most studies suggest a positive link between CSR and firm performance (e.g., Eccles et al. 2014; Godfrey et al. 2009; Kang et al. 2016). These studies typically operationalize performance via financial metrics such as Tobin's q or stock returns. Outside of actual field observations, a few laboratory studies look at customer-centric outcomes such as product performance or brand evaluations (e.g., Chernev and Blair 2015; Torelli et al. 2012). However, market-based evidence of the causes of this link remains scarce. A common and straightforward conjecture suggests that CSR affects stakeholder relationships (Bhattacharya et al. 2009; Clarkson 1995), in particular, it improves customer relations (Mitchell et al. 1997; Schuler and Cording 2006). In line with these academic considerations, more than 75 % of top managers agree that "maintaining a good corporate reputation and/or brand

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equity" is the top business objective of managing CSR (McKinsey 2009).

Such considerations suggest that marketing plays an important role in the business case for social responsibility. Specifically, brand equity, i.e., the marketing effects and outcomes derived from the brand that are not explained by product attributes (Ailawadi et al. 2003; Leuthesser 1988), may mediate the link between CSR and firm performance. From a consumer perspective, brand equity reflects the awareness, attitudes, associations and loyalties toward a brand (Aaker 1996; Ailawadi et al. 2003). Brand equity therefore mirrors the improvements in customer relations that transform CSR into corporate success. By managing brand equity, brand managers may perform a critical intermediate task. Customer-oriented communication about CSR suggests that marketing practitioners are well aware of these links. For example, many companies have initiated cause-related marketing campaigns and now involve customers in corporate donations in efforts to improve their ethical reputation (Henderson and Arora 2010). Yet brand managers are also responsible for dealing with CSR concerns. Controlling public awareness of CSR concerns has grown increasingly difficult, if not impossible, considering the broad and wide accessibility of information sources (Brunk 2010; Du et al. 2007). Online social networks and blogs accelerate the diffusion of CSR-related information and increase awareness of companies' ethical behavior (GlobeScan 2011; Rowley 2009). Moreover, readily available CSR-related ratings (e.g., www.ethicalconsumer.org) drive consumer awareness. Therefore, managers are well advised to consider the impact of CSR concerns and monitor potential negative press. For example, in light of the COVID-19 crisis, many airlines currently worry about the reproach of unjustified workforce reductions, which may diminish the equity of their brand and in turn impede long-term demand when air traffic resumes. However, CSR concerns are not limited to dramatic events; a growing proportion of highly involved consumers stays well informed about gradual differences in CSR and updates brand attitudes accordingly (e.g., Triple Pundit, www.triplepundit.com; The Responsible Purchasing Network, www.responsiblepurchasing.org; apps like CodeCheck with top ranking positions in app stores).

Prior Research

Although the CSR-performance relationship has received much attention in research and practice, little is known about the underlying mechanisms that drive the outcomes of CSR-related activities (i.e., mediation effects) under actual market conditions. In their review of CSR research, Aguinis and Glavas (2012) arrive at the conclusion that little is known about possible mediating effects and call for research in this area. To the best of our knowledge, no academic study has yet been published that has examined the role of brand equity as a mediator of the CSR-performance relationship. Scholars frequently assume that customer attitudes are related to the economic effects of CSR (e.g., McWilliams and Siegel 2001; Orlitzky et al. 2003; Schuler and Cording 2006), but market-based empirical evidence is lacking.

Tab. 1 summarizes related research of the past decade on the impact of CSR on firm performance. According to *Tab. 1*, two streams of research have examined this impact. The first stream is based on field data and actual market observations. It includes either financial performance measures (e.g., return on assets, Tobin's q) or measures of Interbrand ratings as a simple indicator of brand equity. None of these studies include both brand-related measures as well as firm performance measures in the same empirical analysis to be able to investigate mediating mechanisms. The second stream of research investigates the impact of CSR on individual consumer response in laboratory settings. Dependent variables include either brand related outcomes (brand evaluation) or product evaluations (product performance), also lacking an integrated perspective on brand perception and demand. In hypothetical settings, social desirability can also play a role, so it is not clear whether these results generalize to actual market conditions. Prior research is therefore not informative about the potential mediating role of brand equity. In addition, we distinguish different dimensions of brand equity, test the impact of CSR on brand image associations, and investigate both brand usage and sales revenues as brand-related firm performance objectives. Our paper thereby offers nuanced insights into the CSR-performance link. None of the papers published so far offers this level of nuance or insight.

We build on existing research by examining the role of brand equity in converting CSR engagement into market demand. Equipped with this information, companies can better compensate for the potential negative effects of a lack of CSR, and brand managers can initiate more appropriate levers to communicate their brands' CSR strengths or improvements in CSR concerns to customers. Empirical evidence in this realm can also illustrate the relevance of brand management for the CSR business case. Existing findings regarding the effect of CSR on performance have spurred interest in the causal mechanisms, such that we find multiple calls for investigations about intervening variables for explaining the business impact of CSR (e.g., Aguinis and Glavas 2012; Barnett 2007; Schuler and Cording 2006).

To address such questions, we combine objective measures of CSR with mindset-metrics on brand equity as well as data on market demand. Based on a data set of 256 companies covering a 15-year period, we distinguish CSR strengths and concerns, demonstrate the relevance of concerns for brand management, and reveal which concerns and which brand equity dimensions drive brand usage and sales revenues. This complements previous experimental studies on customer response to CSR by extending the view on the mediating role of brand equity and brand image as well as customer response under actual market conditions (e.g., Berens et al. 2005; Brown and Dacin 1997; Creyer and Ross 1996; Folkes and Kamins 1999; Luchs et al. 2010; Sen and Bhattacharya 2001; Sen et al. 2006; Torelli et al. 2012). Research using actual market transactions is pertinent, because CSR awareness in the marketplace may not match CSR-related responses in experimental settings (Sen et al. 2006). By considering brand perceptions and market demand, our research also complements studies on the intermediate role of customer satisfaction, between CSR and financial performance (Lev et al. 2010; Luo and Bhattacharya 2006). Finally, by including multiple CSR dimensions, several brand equity mediators as well as brand image associations, we broaden the scope of studies on revenue effects of CSR (e.g., Lev et al. 2010). Our study thus quantifies and qualifies the effect of CSR and marketing objectives. We show which dimensions of brand equity are related to specific dimensions of CSR. In addition, we provide insights on the effect sizes of CSR on brand perception as well as market outcomes under actual market conditions. This allows us to identify the relevant brand objectives for managing (moderating) the impact of CSR on brand performance.

Conceptual Framework

Although all CSR activities are intended to further some social good beyond the economic interests of the firm or the fulfillment of legal obligations (McWilliams and Siegel 2001), they are heterogeneous and support a wide variety of stakeholder groups and issues (Berman et al. 1999; Godfrey et al. 2009; Hillman and Keim 2001; Mattingly and Berman 2006). Researchers classify outcomes of CSR activities as primarily *internal* or *external*, depending on which type of stakeholder they affect most (Aguinis and Glavas 2012; Chabowski et al. 2011; Welford 2005). External CSR is related to actors outside the company (e.g., community, customers, environment), which tends to limit managerial control over public awareness of the related issues. Consumers also tend to feel more directly affected by external CSR issues than by issues internal to the company. In line with this, Torres et al. (2012) find that customer and community CSR domains exert the greatest effects on the equity of the most valuable brands according to Interbrand. Note, this measure reflects brand demand rather than customer brand perception. It is not clear whether these findings extend to mindset measures of brand equity or which role brand equity has as an intervening variable. Similarly, in their cross-sectional study of UK companies, Brammer and Pavelin (2006) find that community social performance has a stronger effect on reputation than other facets of social performance. On the other hand, companies should have greater control over their internal CSR as related to internal stakeholders (e.g., management, employees). As a consequence, some researchers consider internal CSR a better indicator of the true ethicality of firm values (Lange and Washburn 2012).

Prior research has also distinguished between CSR *strengths* and *concerns* for areas such as environmental protection, employee relations, or corporate transparency (Brown and Dacin 1997; Creyer and Ross 1996; Jayachandran et al. 2013; Sen and Bhattacharya 2001). Behavioral research has shown that the valence of an action may have a strong impact on consumer perceptions (Ahluwalia 2002; Mizerski 1982) and moral judgments appear especially sensitive to CSR concerns compared to CSR strengths (Skowronski and Carlston 1989). For example, Creyer and Ross (1996) detect no consumer responses to ethical firm behavior but find that unethical behavior prompts lower willingness to pay and negative brand preferences. Folkes and Kamins (1999) further suggest that unethical behaviors appear more diagnostic than prosocial behaviors, because corporate communication tends to exaggerate the latter. To take a potential asymmetric impact into account, we need to distinguish strengths and concerns empirically.

Despite diverging views about the dimensions and measurement of brand equity among researchers, there exists broad agreement regarding its definition (Ailawadi et al. 2003). Brand equity refers to "outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name" (Ailawadi et al. 2003, p. 1). Assessments of brand equity generally consider consumers' familiarity and the favorability of their associations, measure differential consumer responses to marketing, or extract brand value on the basis of financial metrics (Stahl et al. 2012). Thus, research has relied on three main approaches to measure brand equity: customer mind-set measures, product market and financial market measures (Keller and Lehmann 2003). While the latter two approaches provide little information about the substance of brand equity, customer-based brand equity measures contain information about strengths and weaknesses, as perceived by consumers. Thus, such mindset metrics reveal the differential roles of specific brand equity elements in explaining the causal effect of CSR on demand.

Prior empirical research has provided indications that CSR affects reputation (Brammer and Pavelin 2006) and financial metrics of brand equity (Torres et al. 2012). Hoeffler and Keller (2002) argue that societal marketing, which implies references to CSR in marketing communications, can affect brand awareness and brand credibility, evoke brand feelings (e.g., a sense of brand community), and elicit brand engagement. They also suggest that CSR can add to the sincerity dimension of a brand's personality. Other authors similarly propose that CSR benefits the identification of customers with a brand, because relating to such brands contributes to their self-esteem (Bhatta-

Research	Type of Study	CSR Measure	Brand Equity	Performance	Main Finding
Field Studies					
Ailawadi, Neslin, Luan, Taylor (2014)	Field (Survey)	4 types of CSR activities	—	Share of wallet = SOW	CSR has direct effect on SOW as well as indirect effect through attitude; total effect on SOW varies substantially across segments and CSR activities
Barnett, Salomon (2012)	Field (Panel data)	KLD rating	—	Return on assets, net income	U-shaped relationship between CSR and financial performance: firms with high social performance have highest financial performance
Eccles, Ioannou, Serafeim (2014)	Field (Panel data)	High vs. low sustainability firms	—	Various financial and accounting measures	During 18-year period, high sustainability companies outperform low sustainability ones in terms of both stock market and accounting measures
Flammer (2015)	Field (Regression discontinuity approach)	Shareholder CSR proposals	—	Stock returns	The adoption of close call CSR proposals leads to significant increase in shareholder value (1.77 %)
Jayachandran, Kalaignanam, Eilert (2013)	Field (Panel data)	Product and environmental social performance based on KLD data	—	Tobin's q	Negativity bias: product social performance weakness has stronger negative impact on firm performance compared to product social performance strength
Kang, Germann, Grewal (2016)	Field (Panel data)	KLD rating	—	Tobin's q	Firms likely to benefit from CSR investments; however, penance mechanism is ineffective in offsetting corporate social irresponsibility
Kim, Kim, Qian (2015)	Field (Panel data)	KLD rating	—	Tobin's q	Positive CSR enhances financial performance when firm's competitive-action level is high, whereas negative CSR actually improves firm financial performance when competitive-action level is low
Lev, Petrovits, Radhakrishnan (2010)	Field (Granger causality tests)	Corporate giving	—	Annual revenue	Charitable contributions significantly associated with subsequent revenue growth, but not vice versa
Mishra, Modi (2016)	Field (Panel data)	KLD Rating	—	Stock returns	Effects of CSR efforts on stock returns and idiosyncratic risk not significant on their own but only in the presence of marketing capabilities
Melo, Galan (2011)	Field (Panel data)	KLD Rating	—	Brand value	CSR has positive impact on brand value
Muller, Kräussl (2011)	Field (Event study)	Social irresponsibility based on KLD data	—	Stock returns	Reputation for social irresponsibility associated with greatest drop in stock prices following Hurricane Katrina

Tab. 1: Related Research on CSR-Performance Link since 2010

Ramchander, Schwebach, Staking (2012)	Field (Event study)	Additions and deletions to Domini Social 400 index	—	Stock returns	Addition to (deletion from) index related to positive (negative) abnormal returns
Servaes, Tamayo (2013)	Field (Panel regression)	KLD rating	—	Tobin's q	CSR activities can enhance firm value for firms with high public awareness; however, firms with high public awareness also penalized more when there are CSR concerns
Surroca, Tribó, Waddock (2010)	Field (Panel data)	Sustainalytics platform rating, similar to KLD data	—	Financial performance, Tobin's q	Intangible resources (e.g., reputation, culture) mediate CSR-performance relationship
Torres, Bijmolt, Tribó, Verhoef (2012)	Field (Panel data)	Weighted average of SGP scores	Interbrand rating	—	CSR has positive impact on global brand equity
Wang (2010)	Field (Cross-sectional data)	Innovest corporate social performance rating	Interbrand rating	—	Prior CSR has positive effect on brand equity, but brand equity only impacts future CSR among very large firms
Experimental Studies					
Chernev, Blair (2015)	Lab	Charitable donation	—	Product performance	Consumers perceive products made by socially responsible companies to have superior performance; effect more pronounced when company's actions are motivated by benevolence rather than self-interest
Torelli, Basu Monga, Kaikati (2012)	Lab	Information about CSR activities	Brand evaluation	—	Consumer response to CSR dependent on brand concept (e.g., CSR concept conflicts with luxury brand concept)
This research	*Field*	*KLD rating*	*Components of brand image and customer-based brand equity*	*Brand usage, revenues*	*CSR concerns drive brand image and customer-based brand equity. Brand familiarity and brand esteem fully mediate the impact of CSR on brand usage and brand revenues.*

charya and Elsbach 2002; Bhattacharya and Sen 2003). Similarly, customer-company congruence appears related to the effect of CSR on corporate evaluations (Sen and Bhattacharya 2001). Once established, customer-company identification can attenuate the effects of moderately negative publicity (Einwiller et al. 2006; Liu et al. 2010). To some extent brand equity may provide an insurance against the effects of brand crises (Klein and Dawar 2004).

To measure brand equity, we build on findings of Stahl et al. (2012) as well as Heitmann et al. (2020) and use data from the Young & Rubicam's Brand Asset Valuator (BAV). These authors argue that BAV captures important aspects of Keller's (1993) brand equity theory, including brand knowledge and different types of brand associations. Both publications focus on a single industry, to obtain more detailed measures of consumer behavior. This allows them to distinguish the effects of the pillars of BAV on demand, namely, of perceived familiarity, relevance, esteem, and differentiation (Stahl et al. 2012).

We seek to provide more comprehensive evidence across industries, so we rely on dependent measures, such as sales revenues, that are associated with more unobserved heterogeneity. In our data, perceived brand relevance and brand esteem were highly correlated. This is theoretically plausible, considering that consumers generally do not develop esteem unless they perceive brands as relevant. As a consequence, however, multicollinearity does not permit us to distinguish both perceptual dimensions. We therefore combine these two closely related measures to capture customers' impressions of the brand's quality as relevant to their needs (referred to as brand esteem in the following). This combined measure reflects the favorability of all brand associations. To obtain a comprehensive measure of brand equity though, we also take brand familiarity and brand differentiation into account. The latter reflects the extent to which the brand appears distinct and might enjoy a competitive advantage; the former captures Keller's (1993) notion of brand knowledge.

We measure both brand usage and sales revenues as indicators of brand performance. Brand usage refers to a brand's ability to generate interest; it functions as an indicator of sales quantities. Sales revenues capture the possible effects on customer purchasing behavior and market prices. We also test the mediating role of brand equity dimensions for explaining the potential link between CSR and brand performance, which enables us to clarify the role of brand management for the business case of CSR.

The preceding discussion suggests the conceptual framework depicted in *Fig. 1*. It follows a related conceptualization of Stahl et al. (2012) in building on hierarchical models of consumer behavior similar to Keller and Lehmann (2003), Gupta and Lehmann (2005), and

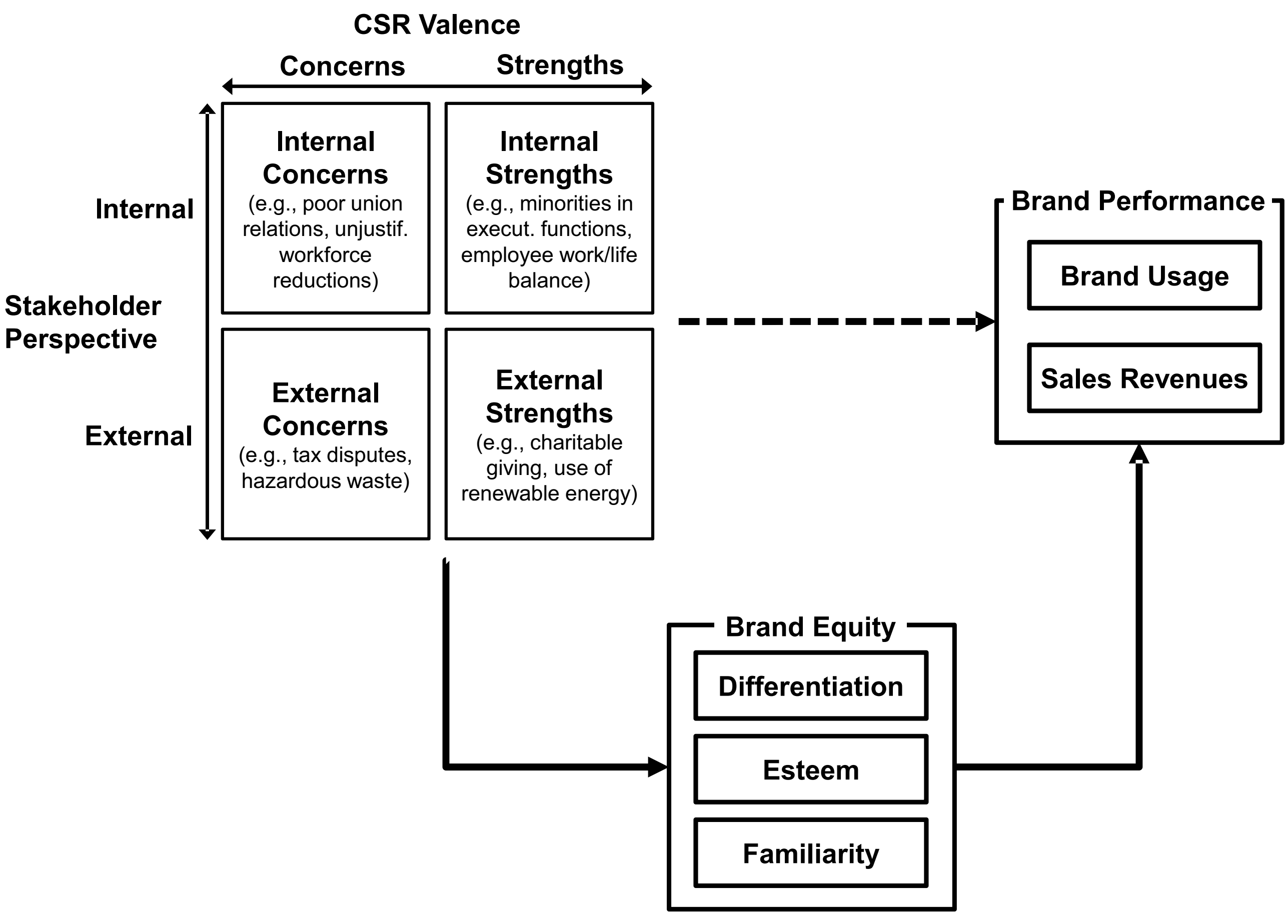

Fig. 1: Conceptual Framework

Lehmann and Reibstein (2006). The framework assumes that observable CSR can impact both customer mindset brand equity and brand performance in terms of consumer behavior. Since brand equity also drives brand performance, we argue brand equity mediates the impact of social responsibility on brand related behavioral outcomes.

Hypotheses

Firms may try to differentiate their brands by enhancing them with ethical associations. The positive effects of CSR are especially pronounced for brands that use social responsibility as the core of their competitive positioning (e.g., The Body Shop), because these brands create higher CSR awareness and more favorable CSR beliefs than their competitors (Du et al. 2007). Social responsibility can also be conceptualized as a distinct brand personality dimension (Madrigal and Boush 2008). In particular, consumers may recognize and retain CSR-related information, then reward companies for their extra effort. Should CSR concerns arise, this is likely to have a negative impact on brand distinctiveness as created by previous CSR efforts. Thus, we hypothesize that brand differentiation, defined as the ability of a brand to stand apart from its competitors, mediates the effects of CSR on demand.

H1: The effect of CSR on brand performance is mediated by brand differentiation.

Categorization based on prior knowledge is an essential principle of human reasoning (Alba and Hutchinson 1987). People often generalize based on ethical valence, such that individuals caring for others are more respected and more highly regarded than self-oriented persons (Fournier 1998). Similarly, brand characteristics, such as being fair, caring about others, or being concerned about natural resources, are traits that consumers tend to relate to virtues, such as trustworthiness and credibility (Hoeffler and Keller 2002). Such virtues in turn are the basis for brand esteem. High esteem brands are associated with a lower likelihood of delivering below expectations and remain held in high regard. In contrast, companies with low levels of (internal or external) CSR are unlikely to be perceived as trustworthy. We expect that customers generalize across ethical dimensions and make inferences about brand esteem based on CSR.

H2: The effect of CSR on brand performance is mediated by brand esteem.

Brand familiarity, or the amount of brand knowledge a consumer has accumulated about a brand, reflects an "understanding of what the brand stands for" (Agres and Dubitsky 1996, p. 25). We predict that CSR strengths can increase brand familiarity while concerns are likely to alienate consumers, making them feel less familiar with the brand. First, CSR information activates different psychological domains than other information typically available in the market. For example, advertisements concentrate on direct benefits for customers, whereas CSR information entails ethics, fairness, and compassion, that might lead to stronger emotional reactions. Because information on CSR strengths and concerns stands out from other messages, it may create greater brand awareness and stimulate the formation of new brand associations so that the brand in turn may be more likely to be recalled and considered by consumers.

Second, CSR perceptions precede customer-company identification (Bhattacharya and Sen 2003). Identification with a company requires a subjectively precise idea about the values, attitudes, and other associations of a particular brand. Low levels of CSR instead should reduce brand familiarity and identification, because consumers would struggle to integrate positive brand claims with negative CSR information. If low levels of CSR violate subjective norms and expectations (Creyer and Ross 1996), it could even undermine a consistent brand image. On the other hand, it may be appealing to identify with high CSR brands in order to corroborate a positive self-image (Sen et al. 2009). We therefore hypothesize that brand familiarity mediates the effects of CSR on demand.

H3: The effect of CSR on brand performance is mediated by brand familiarity.

Method

Sample

To offer reliable conclusions about the relationships of CSR, customer-based brand equity, and market demand, we gather three types of annual data (aggregated at the firm level): independent firm-level ratings of CSR, brand-level survey measures of customer-based brand equity, and financial data about firm performance. The data set is limited to single-brand corporations that generate the majority of their sales through products branded with the corporate brand. This approach provides a means to address the lack of information about the distribution of sales revenues across different brands. The combination of the three data sources resulted in a unique, longitudinal data set of 1,257 observations, across 256 firms and 11 time periods, as we summarize in *Tab. 2*.

Corporate Social Responsibility

We measure corporate social responsibility using data from the rating service of Kinder Lydenburg Domini (KLD) Research & Analytics, Inc. (acquired by MSCI), which provides professional responsibility ratings, mainly of mutual funds and other financial institutions. Since it started in 1991, KLD has increased its monitored sample several times, such that it provides ratings for more than 1,000 of the largest U.S. corporations. Analysts evaluate the performance of each firm on a range of CSR dimensions, according to publicly available and internally retrieved information (Ruf et al. 1998). Although sev-

Data Source	Measures	Frequency and Period
Young & Rubicam brand survey database	-Brand pillars: differentiation, relevance, esteem, and familiarity -Brand usage -Imagery battery (47 variables)	11 waves (between 1993 and 2008)
KLD Socrates database	CSR strengths and concerns ratings in corporate governance, diversity, employees, products, environment, community, and human rights	Annual, 1993 through 2008
COMPUSTAT database	-Sales revenues -Advertising spending -R&D expenditures -Total assets -Operating income before depreciation -Market capitalization -NAICS industry codes	Annual, 1992 through 2009

Tab. 2: Data Sources and Measures

eral alternative sources exist for measuring CSR, many scholars have adopted the KLD Socrates database (Berman et al. 1999; Doh et al. 2010; Godfrey et al. 2009; Graves and Waddock 1994; Hillman and Keim 2001; Johnson and Greening 1999; McWilliams and Siegel 2000; Servaes and Tamayo 2013; for a review of each source's advantages and drawbacks, see Flanagan et al. 2011; Fryxell and Jia 1994). We prefer the KLD Socrates data because its rating procedures help ensure unbiased measures of a company's actual CSR stance, rather than external, subjective CSR ratings by experts (e.g., *Fortune's* Most Admired Companies). Because expert perceptions already reflect a brand's influence, they could be endogenous with our mediating variable customer-based brand equity. Furthermore, our longitudinal study covers an extended period, and KLD was one of the first providers of CSR ratings, which has continually applied consistent coding procedures.

The main areas KLD rates are corporate governance, community support, employee relations, environmental considerations, management diversity, product-related issues, and human rights. It uses a wide range of criteria, defined as either a strength or a concern (see Mattingly and Berman 2006). For our analysis, we calculate index scores to create four metric measures of internal (corporate governance, employees, diversity) and external (community, product, environment, human rights) CSR strengths and concerns.

Endogeneity

Firms are strategic in their use of CSR activities and adapt these based on performance-related factors. However, these factors might not be observable to outsiders and thus, not be captured in the data. This creates the potential for endogeneity. In this case, our CSR variable would correlate with the error term, resulting in biased estimations.

Endogeneity may arise from time- and firm-specific confounds as well as reverse causality. For instance, the observed relationship between CSR activities and firm performance can be explained by time-varying common shocks that affect all the firms in our sample (e.g., economic cycles). We therefore include time-period fixed effects. In addition, unobserved firm-specific variables can drive firm performance and CSR engagement. We address these possible confounds by including brand fixed effects that account for the varying performance of different brands.

Still, reverse causality in particular can be an issue when testing the effect of CSR on brand performance (Brown and Perry 1994; Margolis et al. 2007; Surroca et al. 2010). Reverse causality occurs when the causality is not unidirectional, i.e., in our case when CSR activities affect performance, but performance simultaneously affects CSR activities. For example, more successful firms may have more resources at their disposal and thus make greater CSR investments, opposite to the causal direction we seek to investigate. Note, however, that firms are unlikely to increase CSR spending in anticipation of better financial performance but rather subsequently. But the CSR strengths and concerns of successful firms may be more visible to KLD researchers, simply because of their size or sales revenues. To account for such possible endogeneity, we follow well-established procedures suggested by Roberts and Dowling (2012) and calculate reverse causality residuals as our independent measure of CSR, to correct for any influence of previous brand performance (see also Luo and Bhattacharya 2006; Luo and Bhattacharya 2009; Peloza 2009; Surroca et al. 2010). Specifically, we use sales revenues at $t-1$ as a predictor of CSR in t, to obtain a measure that has been corrected for the effects of reverse causality.

Finally, unobserved factors that are both firm- and time-specific could potentially influence firm performance and CSR engagements simultaneously. As far as data permits, we account for such shifts by incorporating a rich set of time varying control variables (see below). However, if these variables do not capture the full impact and if our assumptions do not hold, our results must be interpreted as correlational evidence.

Customer-Based Brand Equity

We use aggregate-level data from Young & Rubicam's BAV survey. This rotating, representative consumer panel measures brand equity for most commercial brands sold in the United States. Our data is based on more than 6,500 responses, collected in 11 waves between 1993 and 2008. Within each wave, participants assigned various associations to brands and provided ratings for the four brand equity dimensions: differentiation, relevance, esteem, and familiarity.[1] To measure brand personality associations, we made use of data on the agreement with a battery of image items, such as "innovative", "trustworthy", or "socially responsible". The brand equity measures relevance and esteem correlate highly in our sample ($r = .93$) with variance inflation factors (VIF) above 10. Since we cannot meaningfully distinguish these effects, we combine both variables. In the resulting models, no VIF exceeded 3.0, indicating no further multicollinearity issues (Jagpal 1982).

Brand Performance and Controls

Young & Rubicam tracks the percentage of respondents who indicated that they used the brand regularly, which provides a first measure of brand interest. Next, we retrieve annual sales revenues, operating income before depreciation, total assets, advertising spending, R&D expenditures, market capitalization, and North American industrial classification (NAICS) codes from COMPUSTAT. We log transform sales revenues, advertising spending, R&D expenditures, and market capitalization to account for the skewed distribution and diminishing returns. The log of sales revenues serves as our second dependent measure, which we use to test the convergent validity of the findings and capture the effect of CSR on price levels that the brand usage measure does not include. Some scholars use first differences to remove a unit root when modeling sales revenues (Mizik and Jacobson 2009). However, in our data set we can reject the null hypothesis of a unit root being present according to formal tests when accounting for time effects ($p < .01$). To address the potential endogeneity between sales revenues and the covariates, we model the effect of our independent variables on sales revenues in $t + 1$ (Murthi et al. 1996; Rust et al. 2002).

We control for R&D expenditures, which McWilliams and Siegel (2000) identified as necessary when studying the effects of CSR. We also include advertising spendings to distinguish advertising from brand effects. Following previous research, we control for firm size using the log of market capitalization (Luo and Bhattacharya 2009; Singh and Mitchell 2005). To take profitability and management skills into account, we calculate the return on assets as operating income before depreciation divided by total assets. Finally, we calculate the normalized Herfindahl index of sales revenues as a measure of market concentration, based on three-digit NAICS codes over all available firms in COMPUSTAT.

We employ a fixed-effects model specification to capture unobserved heterogeneity across firms that may not be fully accounted for by our control variables (Greene 2003). This approach provides consistent results, even if firm-specific effects are correlated with the independent variables. From a practical perspective, the fixed effects specification illuminates the effect of changes in CSR (e.g., new CSR concerns, improvements to CSR strengths) on changes in brand equity which is of direct relevance for managerial decision making. According to the Hausman test, an alternative random effects specification would risk inconsistent estimates (brand usage: $F_{(22, 255)} = 3.14$, $p < .001$; sales revenues: $F_{(22, 255)} = 12.95$, $p < .001$, Wooldridge 2010). We apply the robust Huber-White sandwich estimator, because the error terms of our model may contain cross-sectional heteroscedasticity and within-firm serial correlation (Cherry 2006; Jackson 2000). To take (potentially nonlinear) economic cycles into account, we also control for temporal effects using dummy coding.

Our control variables advertising spendings and R&D expenditures as well as firm profitability and size contain missing values, so we use multiple imputation along with our regression models, since we cannot rule out systematic reasons for these missing values (e.g., accounting regulations, industry differences). We refrain from using single-imputation methods, which tend to underestimate variances and risk less conservative confidence intervals and significance tests.[2] All regression results are averaged over 20 imputations, generated using multivariate normal regressions with EM algorithm starting values to account for sampling variability due to missing data (Allison 2001; Little and Rubin 2002). To calculate the R-square values, we aggregate the individual regressions' R-squares of the 20 imputations using Fisher's average (Harel 2009).

Results

Preliminary Analysis

As a preliminary analysis, we regress average agreement with the brand personality attributes on our CSR measures and thereby determine how the four CSR dimensions affect brand personality. The regression results for the associations with significant effects appear in *Tab. 3*.

Both internal and external CSR concerns relate negatively to the "socially responsible" brand association, so consumers appear aware of CSR and sufficiently interested in related information to update their brand personality perceptions. However, the effects of CSR strengths fail to reach statistical significance. We note that the KLD coding of CSR strengths uses mainly publicly available information. Yet, these results indicate that negative information on CSR is diagnostic for consumers, who update their brand images accordingly, while we are not able to reach statistical conclusions for CSR strengths.

Associations	External CSR Strengths	Internal CSR Strengths	External CSR Concerns	Internal CSR Concerns
Socially Responsible	.158	-.022	-.275*	-.176*
Helpful	.202	-.128	-.126	-.316**
Cares Customers	.155	-.081	-.205	-.432**
Social	-.103	-.026	-.043	-.118*
Kind	.148	-.055	-.071	-.105*
Trustworthy	-.140	-.063	-.230	-.398*
Authentic	.047	-.047	-.087	-.118*
Reliable	-.091	-.016	-.123	-.386**
Straightforward	.033	-.032	.085	-.182**
Leader	-.148	-.169	-.191	-.285**
Good Value	-.014	-.032	-.114	-.361**
Up to Date	-.022	-.111	-.203	-.195*
Friendly	.471**	-.125	-.213	-.398**
Obliging	.205**	-.006	-.101	-.114
Charming	.166*	-.059	.030	-.092
Different	.121*	-.000	-.053	-.010
Prestigious	-.083	-.106*	.109	-.173*
Upper Class	-.161	-.150*	.259*	-.126
Intelligent	.019	-.306**	-.240	.003
Progressive	.073	-.194**	-.186	-.086
Fun	.154	-.127*	-.043	-.106
High Quality	-.486*	.070	-.105	-.322**
High Performance	-.269*	-.043	-.076	-.135
Tough	-.631**	.029	.121	-.166
Rugged	-.270**	.033	-.044	-.026
Gaining in Popularity	.080	-.162	-.403*	-.192
Sensuous	-.023	-.002	.025	.069*

Tab. 3: The Effect of CSR on Brand Associations

Failure to detect significant effects can be due to statistical reasons (e.g., measurement error, low sample size) or substantively low effects. Based on other available evidence, both reasons may play a role. Substantively, consumers may be aware of positive CSR actions, but it may be difficult to build an ethical brand image on them, because convincing consumers of the credibility of the underlying motives can demand non-trivial effort (Folkes and Kamins 1999).

Interestingly, internal CSR concerns also relate strongly to various brand personality items, including those pertaining to sincerity and credibility (e.g., “friendly”, “trustworthy”, “cares about customers”, “authentic”). External CSR strengths instead drive facets of brand image related to kindness, such as “friendly”, “charming”, and “obliging”. This suggests the measure of KLD is externally valid in the sense that consumers register, perceive and form opinions on the dimensions KLD records.

Hypotheses Tests

We use two dependent variables to measure brand performance: brand usage and sales revenues. To test the hypothesized mediating effect, we begin by analyzing the impact of CSR on customer-based brand equity. This analysis is identical across both dependent variables. Next we test the direct effect of CSR on usage as well as sales revenues in two separate models. We compare these effects to the effects of CSR on the two dependent measures when we control for the brand equity components (*Tab. 4* and *5*).

Consistent with our preliminary analysis, only internal CSR concerns relate significantly to brand equity. In the disaggregated effects for each dimension of brand equity in *Tab. 4*, we find no statistically significant effect of CSR on brand differentiation, while internal CSR concerns relate negatively to esteem (β = -.037; p < .01) and familiarity (β = -.035; p < .01). Again, we cannot disentangle statistical and substantive reasons for the lack of effects on differentiation. Theoretically, CSR concerns will not relate to differentiation if the absence of con-

	Effect of CSR on Brand Equity (BE)			Effect of CSR on Brand Usage		
	Differentiation	**Esteem**	**Familiarity**	**w/o BE**	**with BE**	**with BE** (stand.)
Corporate social responsibility (exogenous)						
External CSR strengths	.003	-.019	-.002	-.035	.045	.058
Internal CSR strengths	-.002	.011	.005	.282	.218	.432
External CSR concerns	-.002	.010	-.011	.327	.333	.399
Internal CSR concerns	-.003	-.037**	-.035**	-.625**	-.352	-.460
Customer-based brand equity						
Differentiation					-2.489	-.423
Esteem					3.484***	4.841***
Familiarity					4.294***	5.945***
Indirect effects (bootstrapped) of internal CSR concerns						
→ Differentiation					.008	.010
→ Esteem					-.129**	-.169**
→ Familiarity					-.150**	-.196**
Advertising	.004	.082**	.072**	.533	-.052	-.075
R&D	-.001	.010	.009	.234	.158	.387
Firm size	.009	.071**	.010	.131	-.137	-.235
Profitability	.000	.001	.001	.004	-.004	.015
Market concentration	.037	4.536	6.946***	98.775**	53.236	.914
Constant	.306***	4.445***	2.508***	5.989	-19.507***	13.916***
R^2	.000	.180	.181	.056	.636	.636

*Note: Year dummies were omitted from the table. *** p < .001. ** p < .01. * p < .05.*

Tab. 4: The Effect of CSR on Brand Equity and Brand Usage cerns is what constitutes the average in the market. Consequently, the absence of CSR concerns may not be sufficient to differentiate from competitors.

This first set of equations represents the necessary conditions for mediation, so we can already conclude that our data does not support *H1*. However, CSR concerns decrease trust in the brand and quality expectations, lowering brand esteem. Furthermore, CSR concerns appear to make it difficult for consumers to integrate inconsistent brand information, which reduces familiarity. Improvements of CSR strengths do not drive brand equity significantly, possibly due to a lack of credibility or counterbalancing of positive and negative effects on brand associations. But statistical reasons may also be responsible for the lack of effects.

In economic terms, we find significant effects of CSR on both measures of brand performance. Consistent with our previous results, internal CSR concerns diminish brand usage (β = -.625; $p < .01$) and sales revenues (β = -.025; $p < .05$); the other dimensions of CSR do not exert a significant impact. Our two dependent measures are based on two very different data sources (financial reports and consumer surveys), so the consistency of results across them, as well as with brand image and brand equity, suggests a robust pattern. Across all models, results suggest that consumers account for concerns rather than strengths and internal rather than external CSR.

The results regarding the effect of brand equity on demand are also consistent with prior research that has used BAV. In particular, we find positive, comparable effects of brand familiarity and brand esteem on both brand usage (β_{esteem} = 3.484; $p < .001$; $\beta_{\text{familiarity}}$ = 4.294; $p < .001$) and sales revenues (β_{esteem} = .096; $p < .05$; $\beta_{\text{familiarity}}$ = .130; $p < .01$). However, neither dependent measure is driven significantly by brand differentiation, which is consistent with Stahl et al. (2012) and Heitmann et al. (2020) who also obtained mixed results on brand differentiation.

To investigate *H2* and *H3*, we compare the effect of CSR on performance, with and without controlling for brand equity. The total effect of internal CSR concerns is significant, but we do not find significant direct effects when controlling for brand equity (see *Tab. 4* and *5*). Therefore, brand equity fully mediates the statistical relationships between internal CSR concerns and brand usage and between CSR and sales revenues. We thus find convergent evidence across both dependent measures, in support of *H2* and *H3*. We do not find evidence of an effect of CSR on demand over and above its effects through brand equity. This finding affirms the importance of an integrative approach to CSR and brand management.

Using bootstrapping, we obtain separate standard errors for the indirect effects through esteem and familiarity to conduct a statistical test of mediation (Preacher and Kelley 2011). The indirect effects for both dependent variables are statistically significant (brand usage: β_{esteem} = -.129; $p < .01$; $\beta_{\text{familiarity}}$ = -.150; $p < .01$; sales revenues: β_{esteem} = -.004; $p < .05$; $\beta_{\text{familiarity}}$ = -.005; $p < .01$). *Tab. 4* and *5* display standardized results for the full model specifications of sales revenues and brand usage. In both models, familiarity is a stronger predictor of brand usage and sales. The standardized indirect effect of CSR through brand familiarity also slightly exceeds the effect through brand esteem.

While brand usage provides an indicator of sales quantity, changes in sales revenues may be attributed to changes in price levels. Consumers could be willing to pay extra for products that free them from CSR concerns (Creyer and Ross 1996). To investigate this possible influence, we run an additional analysis that includes brand usage in the sales revenues models. We compare this to the original sales revenue model without brand equity (*Tab. 5*). After controlling for brand usage, we are not able to detect a significant effect of internal CSR concerns, beyond that of brand usage, suggesting that the effect on sales revenues is fully explained by the consequences for sales quantity, as measured by brand usage. We thus cannot confirm an effect of CSR concerns on market prices. Instead, concerns appear to decrease demand and inhibit product usage. Although our measure of brand usage is only an indicator of sales quantity, this result seems theoretically plausible: market prices reflect various factors, including production costs, intertemporal price responses, and managerial expectations, which are unrelated to consumer demand. If the economic effects of CSR are largely driven by demand-side consequences, unethical internal processes should relate more directly to sales quantities than to market prices. However, we caution that statistical limitations and measurement error may have inhibited detecting significant effects.

Robustness Checks

We test alternative model specifications to investigate the robustness of our results. Specifically, we re-estimate our models with future period usage to test possible common method bias between brand equity and usage. This results in smaller effect sizes due to the greater temporal lag but does not impact the overall pattern of our results. In particular, only internal CSR concerns impact future usage (β = -.377; $p < .05$) and this effect is no longer significant when controlling for the perceptual pillars of brand equity. Similarly, our results regarding sales revenues may be sensitive to the temporal measurement of sales. When we test an alternative model with current period instead of next period revenues, we obtain similar results. The effect of internal CSR concerns on sales is significant before controlling for brand equity (β = -.024; $p < .05$) and decreases strongly when testing the full model (β = -.014; n.s.). This result also makes it less likely that time varying omitted variables might have produced endogeneity bias, since these would need to have an impact irrespective of the lag structure we use. However, we acknowledge that we cannot rule out these

	Effect of CSR on Log of Sales Revenues (t+1)		
	w/o BE	**with BE**	**with BE** (stand.)
Corporate social performance (exogenous)			
External CSR strengths	.004	.006	.008
Internal CSR strengths	-.002	-.005	-.009
External CSR concerns	-.004	-.004	-.005
Internal CSR concerns	-.025*	-.017	-.023
Customer-based brand equity			
Differentiation		-.157	-.027
Esteem		.096*	.134*
Familiarity		.130**	.180**
Indirect effects (bootstrapped) of internal CSR concerns			
→ Differentiation		.000	.001
→ Esteem		-.004*	-.005*
→ Familiarity		-.005**	-.006**
Advertising	.085***	.068**	.098**
R&D	.007	.005	.012
Firm size	.206***	.199***	.342***
Profitability	-.001	-.001	-.004
Market concentration	3.735*	2.398	.041
Constant	6.586***	5.878***	9.123***
R^2	.679	.660	.660

*Note: Year dummies were omitted from the table. *** p < .001. ** p < .01. * p < .05.*

Tab. 5: The Effect of CSR on Sales Revenues

potential remaining sources of endogeneity based on this evidence.

Another concern may be related to the imputation of some of the covariates. Note that their impact is quite small. When omitting these covariates, we obtain substantively and directionally similar results. When we estimate all models without imputation, the reduced sample size increases standard error. With regard to the usage equations, we again find evidence of full mediation. The effect of internal CSR concerns on usage decreases from .861 ($p < .01$) to .270 (n.s.). However, due to increased standard error, the effect of CSR on sales was not significant according to conventional α-levels (β = -.023, p = .129) before controlling for brand equity. However, the effect diminished slightly to -.018 (p = .229) when we add brand equity to the model. In terms of effect size, both effects are similar to our original results (β = -.025 without mediators and β = -.017 with mediators, see *Tab. 5*).

Although we follow established procedures when controlling for endogeneity by calculating CSR residuals, other approaches to endogeneity are conceivable. We estimate two alternative specifications to investigate the robustness of our results. To make sure that our endogeneity correction did not introduce spurious effects, we use raw CSR values instead of residuals in all models. This leads to results very similar as reported in *Tab. 4* and *5*. In particular, the indirect effects of internal CSR concerns over brand esteem and familiarity on usage and sales remain statistically significant ($p < .05$ and $p < .1$). In addition, we test an instrumental variable approach using CSR lagged by one period and overall industry CSR in the current as well as previous period as instruments. Validity of these instruments is confirmed by the Hansen's J statistic and a test of weak identification using the Kleibergen-Paap statistic. Results are overall consistent with our previous report. While we find evidence for full mediation for the effect of internal CSR concerns on sales, brand equity only partially mediates the effect on brand usage.

Importantly, across all alternative models, internal CSR concerns have a statistically significant impact on customer behavior while the other three dimensions of CSR do not. Furthermore, brand esteem and familiarity appear to mediate the impact of CSR on usage and sales revenues. In contrast and in contradiction to *H1*, none of the models suggest a mediating role of brand differentiation.

Implications and Discussion

This research has important implications for brand management, management of CSR, and marketing in general. By combining three distinct data sets, we show that mindset metrics of brand image and brand equity are affected by CSR and mediate the link between CSR and marketing objectives such as sales revenues. In particular, associations related to responsibility, trust, and credibility are affected by internal CSR concerns. Conversely, the effects of CSR strengths vary in theoretically meaningful and plausible ways. Therefore, we consider it reasonable that we do not observe performance effects for CSR strengths but find effects of internal CSR concerns.

We observe this pattern of results across two independent measures of brand performance. Furthermore, our analysis of sales revenues demonstrates mediation across variables from three distinct data sources (coding of publicly available information, consumer surveys, and financial reports). All of our results consistently emphasize the role of internal CSR. Although intuitively, information about internal rather than external processes should be easier to control, our results suggest that information about internal concerns leaks to customers. Our results are in line with the conjecture that internal CSR is associated with the brand which has a consequential impact on brand performance. This result is also supported by an analysis of the CSR ratings provider CSRHub, which suggests that ratings on internal issues, such as employee health, safety, and compensation, correlate highly with the Brand Strength Index as measured by Brand Finance (Figge 2013). We did not find significant effects of CSR strengths or external CSR and therefore cannot reach conclusions based on the empirical evidence alone. Theoretically, firms may have a hard time convincing customers of their genuine motives when they invest in CSR strengths. Negative information, on the other hand, may appear less biased by corporate motives.

Although we only find empirical evidence for the effects of internal CSR concerns, our findings suggest that managers can counteract the negative consequences of social irresponsibility by increasing brand esteem and familiarity. For example, Apple has experienced CSR concerns in its history, including media coverage of poor labor conditions in supplier facilities (Godelnik 2012). Yet, firm performance has steadily increased. While we do not know about the counterfactual had these concerns not been reported, Apple did lead Millward Brown's 2011 brand equity ranking, suggesting high levels of esteem and familiarity. Although anecdotal in nature, this observation is in line with our findings, which suggest that driving consumer mindset brand equity, brand esteem and familiarity in particular, can effectively counteract negative effects of CSR concerns.

Our results also provide important information about the role of marketing in the business case for CSR. To the best of our knowledge, this research represents the first large-scale, empirical study on the effects of CSR on consumer mindset brand equity and brand performance. We find converging evidence for two relevant branding objectives that suggest the negative effect of CSR concerns on brand usage and sales revenues is fully mediated by its impact on customer brand perceptions. This supports the conjecture of many scholars that brand enhancement is an important factor in the business impact of CSR. Efficient CSR management appears to require detailed knowledge about branding and mindset metrics such as customer-based brand equity in particular. If brand management is not in line with CSR response, corporate action may not translate well into improved firm performance. That is, firms appear well advised to consult brand management when facing detrimental CSR events.

There are of course limitations to this research. We concentrate on single-brand companies, because we seek to match brand-level data with corporate outcomes. Other brand structures of multi-brand firms may produce weaker results. We do, however, see no reason to expect a fundamentally different pattern of results. Furthermore, due to data limitations, our sample does not include private companies, which are subject to different reporting standards. Tracking their CSR actions is far more difficult. In addition, our analysis is limited to the U.S. market. Reactions to CSR may differ across cultures (Cherry 2006; Jackson 2000). Furthermore, our study reported average effects across industries. However, it is conceivable that individual facets of CSR dimensions may exert different effects across industries (see also Brammer and Pavelin 2006). For example, public awareness of hazardous waste issues may be higher for chemical companies than the food industry. Due to sample size constraints, our data did not permit such analysis. However, a natural extension of this research would feature a comparative study across countries and industries. Finally, despite the precautions in our model specification, endogeneity due to both time- and firm-specific fluctuations not accounted for by the control variables of our model may have played a role. This could have resulted in biased estimates. Our results are stable and consistent with regard to different model specifications, lag structures and treatments of endogeneity, making bias unlikely. However, we cannot rule out potential remaining sources of bias. We also had few observations for R&D and advertising expenditures and relied on multiple imputation to investigate the effects of primary interest so the impact of advertising and R&D on brand performance must be interpreted with caution.

This research provides further evidence on the economic effects of ethical firm behavior. We have investigated two indicators of firm performance that are of interest to marketing managers (brand usage and sales revenues). While consumers penalize misconduct, we did not find evidence that they reward virtues to the same extent. When internal activities are associated with negative CSR, consumers see inevitable relations to key corporate values, update brand impressions accordingly and buy less or choose competing products and services. Thus, managing CSR is essential for both ethical and economic reasons. Companies interested in the economic consequences of CSR cannot bypass brand management, because brand image and brand equity constitute the basis of long-term reputation.

Notes

[1] Young & Rubicam uses the term "knowledge" instead of familiarity. We modified the label to match the actual survey question (i.e., how familiar respondents feel with the brand) more closely.

[2] Excluding control variables with missing data for the analysis results in substantively and directionally identical conclusions, suggesting the handling of missing values is not a factor related to the substantive relationships we are interested in.

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Keywords

Corporate Social Responsibility (CSR), Brand Equity, Brand Personality, Brand Management