Research on the Impact of Corporate Social Responsibility on Consumer Behavior—Case Analysis Based on ERKE

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Abstract. Nowadays, corporate social responsibility (CSR) has become an important component of corporate marketing strategies. Numerous studies have shown that companies can establish a good image and gain consumer support by fulfilling corporate CSR, but most of them focus on theoretical and empirical analysis, with few studies analyzing a prominent case of a specific company. Based on the research results of previous scholars on the impact of CSR on consumer behavior, this article analyzes the case of ERKE's donation in 2022 and elaborates on the issues of ERKE's CSR behavior causing popularity, the current short duration of popularity and the crisis of perceived sincerity of motivation in ERKE's CSR behavior. Suggestions are also provided for ERKE's future implementation of CSR, such as creating sustainable brand value and improving transparency of communication. This study provides a feasible theoretical basis for enterprises to influence consumer behavior positively based on CSR and looks forward to future research directions.

Keywords: Corporate Social Responsibility, Consumer Attribution, Perceived Sincerity Motivation, Consumer Identification.

1. Introduction

1.1. Research Background

Numerous studies have shown that companies can establish a positive image and gain consumer support by fulfilling corporate social responsibility (CSR). In the summer of 2022, when a rainstorm disaster occurred in Henan, China, sportswear company ERKE donated 50 million yuan to the disaster area, and its popularity among consumers soared. ERKE's CSR in this incident received widespread praise, leading to a surge in sales on e-commerce platforms and huge commercial returns within a few days. However, after the popularity of the donation incident subsided, ERKE inevitably experienced a sharp decline in sales. From this, it can be seen that the impact of CSR on consumer behavior is worthy of in-depth research. It is also worth exploring how to stimulate and maintain the sales growth of ERKE by extending the impact time, improving the impact quality, and other ways.

1.2. Literature Review

The concept of CSR was first proposed by Sheldon in 1923. It refers to the responsibility that a company should undertake to society in addition to pursuing profit maximization. It emphasizes the contribution of a company to employees, consumers, shareholders, the environment, and other stakeholders. As early as 1997, E.H.Creyer conducted empirical research to demonstrate that although consumers may still be able to purchase products from companies with poor reputations, they prefer to purchase at a lower price compared to companies with good morals - the ethical behavior of companies is appreciated by consumers, which is also an important factor affecting their purchasing decisions [1]. A survey conducted by Cone Communications in 2002 showed that people are more willing to purchase products from companies involved in charitable activities when the price and quality are the same. Bhattacharya and Sen's research found that whether the field of CSR is consistent with consumers is one of the important factors affecting the effectiveness of CSR, and people tend to prefer companies with philanthropic tendencies that align with themselves [2]. More and more scholars are also exploring the mechanism by which CSR affects consumer behavior. In 2003, Bhattacharya and Sen proposed the concept of customer business identity by drawing on social identity and organizational identification theories, elaborating on the prerequisites and psychological foundations for consumers to identify with businesses and establish profound relationships [3]. Yoon et al.'s experiment in 2006 showed that companies with similar reputations may have different benefits from assuming CSR than expected, with the key mediating factor leading to the difference being consumers' perceived sincerity of motivation: unless consumers believe that a company's CSR behavior is driven by sincerity, assuming CSR is likely to have adverse effects on the company [4].

Most scholars' research mainly focuses on the concept of CSR and its influencing factors and mechanisms on consumer behavior, with very few articles analyzing real-life companies as case studies. Although CSR has become an important part of corporate marketing strategies in the past few decades, there is still a lack of research on the relationship between CSR and consumer behavior through real case studies, especially in China, a market with a large consumer and competitor base and a special cultural environment.

1.3. Research Framework

This article first introduces the basic situation of ERKE Company and then explains why it achieved success through donation behavior based on the relevant theory of CSR affecting consumer behavior. It also analyzes the reasons why ERKE's popularity among its consumers has not been maintained, and its sales have been average for a long time, even causing losses. Finally, suggestions for solving the problem are given, and a summary is made.

2. Case Description

ERKE is a large domestic sportswear enterprise in China that integrates research and development, production, and sales. With the development of China's reform and opening up in the 1980s, Fujian Province in China became a global shoe manufacturing base, and the predecessor of ERKE, Hongxing Shoe Industry, was also born. In 2000, the ERKE sports brand was officially founded by Wu Rongzhao and became one of the most well-known sports brands in the Chinese market. However, due to fierce competition among peers and a lack of advanced management technology, ERKE has experienced difficulties such as inventory backlog, negative profits, a large number of store closures, and stock suspensions. In July 2021, ERKE donated more than 50 million yuan for a rainstorm disaster in the case of continuous losses and bankruptcy. The netizens were surprised and moved by this. After all, Hon Sing Erke's turnover is not much among Chinese sports brands, even losing money for several consecutive years, but the amount of donations ranks first. This reflects ERKE's CSR and also affects consumer behavior: many consumers flock to ERKE's online shopping live broadcast room to purchase goods. China Economic Weekly reported that according to incomplete statistics, the sales of ERKE have increased by more than 50 times in the 10 days since the donation incident, and the sales of the live broadcast room have exceeded 100 million yuan. Offline stores also have a continuous stream of consumers who come specifically to buy almost all the products on the shelves. At 23:59 on December 18, 2023, a 6.2 magnitude earthquake occurred in Linxia Prefecture, Gansu Province, causing multiple deaths and damage to some infrastructure such as water, electricity, and transportation. ERKE announced on the morning of December 19 that it would donate 20 million yuan in supplies to the affected areas and will continue to monitor the progress of disaster relief. Consumers were once again moved by the rapid growth of ERKE's online and offline sales. In fact, these are not the only two large donations made by ERKE. According to Table 1, as early as the 2008 Wenchuan earthquake in Sichuan, China, ERKE donated 6 million yuan to the disaster area and made different amounts of donations in 2013 and the past six years. However, after every donation frenzy by ERKE, sales have sharply declined. After so many times, there have been voices among consumers questioning the authenticity of the donated amount and even expressing annoyance towards the news of ERKE announcing the donation.

Table 1. Donation events of ERKE's CSR

Year	Event	Amount (in billions of RMB)
2008	Donations for Sichuan earthquake	0.06
2013	Donations to Fujian Disabled Persons Federation Foundation	0.25
2018	Donations to China Disabled Persons Federation and Fujian Welfare Foundation	0.8
2019	Donations to Hebei and Shandong	1
2020	Donations for Wuhan Epidemic	0.1
2021	Donations for floods in Henan and Shanxi	0.7
2022	Donations for Jilin and Quanzhou epidemic	1.05
2023	Donations for Gansu earthquake	0.2
	Summation	4.16

3. Analysis of the ERKE Case

3.1. The promotion of CSR to consumers' purchasing behavior

ERKE declared in July 2022 that it would provide 50 million yuan worth of supplies for the Henan flood. After gaining notice, a lot of customers went bonkers in favor of ERKE. Sales data showed that up until the year following the donation announcement, ERKE continued to benefit from the "traffic dividend" of this occurrence. Based on market intelligence data from MKTINDEX.COM, ERKE's sales on Tmall and Taobao platforms reached 553 million yuan in July of last year, representing a 1543.71% year-over-year growth and a 745.27% month-over-month increase. The ERKE brand's monthly sales figures increased numerous times year over year in the subsequent year.

The social identity theory suggests that when an individual's self-concept overlaps with an organization's beliefs, he or she will develop a sense of identification and belonging to the organization [5, 6]. Sen and Bhattacharya analyzed in their study in 2001 that consumers have a mediating effect on their perception of the consistency between their own personality and the company's personality in the context of CSR [7]. In 2003, Bhattacharya and Sen proposed the concept of customer business identity, which refers to the degree to which a consumer's self-concept overlaps with their perception of the company [3]. Under this theoretical framework, consumers can view themselves as group members of a company without the need for interpersonal relationships. Specifically, the higher the level of consumer identification with the company, the more inclined they are to support it. In their 2004 study, Bhattacharya and Sen found that consistency between the field of CSR and consumers is one of the important factors affecting the effectiveness of CSR; that is, people have a greater preference for companies with philanthropic tendencies that align with themselves [2]. Marín and Ruz's research further confirms that CSR has an undeniable impact on the perceived attractiveness of a business to consumers based on customer business identification [8]. If CSR successfully promotes consumer identification with the company, these organizations and brands are more likely to be used to meet individual and social needs.

The characteristic of the ERKE case is that by undertaking CSR, the enterprise overlaps with the consumer's self-concept, leading to customer enterprise identification and spontaneous purchase of ERKE products.

3.2. Problem Identified in ERKE Case

3.2.1 Short-term heat did not translate into long-term attraction

Since ERKE donated money to Henan and received huge commercial returns, this company has repeatedly used public welfare undertakings to enhance its brand image and attracted consumer attention and discussion. This promotional method has indeed brought popularity and benefits, but according to the data, the generated popularity is not long-lasting and can even be said to be shortlived. After the climax of the incident, the number of fans of ERKE on media platforms plummeted, losing nearly 300,000 followers within 30 days. In the following year, although the monthly sales of the ERKE brand continued to increase year-on-year, the month-on-month data showed a significant decline in multiple months. Last August, ERKE's sales on all platforms of Tmall and Taobao increased by 693.94% year-on-year, a month-on-month decrease of 35.65%. In September, sales also saw a 42.46% month-on-month decrease. In July of this year, one year after announcing the donation, before announcing the donation this year, the monthly sales decreased by 74.93% year-on-year and 49.16% month-on-month. ERKE's sales model seems to have turned into constantly utilizing public welfare topics for marketing, relying on the moral reputation established in the past to promote sales. By searching for ERKE on online platforms, it can also be found that its brand or product itself has almost no popularity, and all peak popularity occurs during promotional donations. Once the heat of social issues fades, the popularity of ERKE itself will also sharply decline.

3.2.2 The crisis of perceived sincerity of motivation

The most influential donation from ERKE was a 50 million yuan donation to the Henan flood in July 2021. After just a few days of being frantically snapped up by consumers, ERKE fell into a wave of fraudulent donations. Some netizens claim that ERKE only donated 200000 bottles of mineral water at that time, which is a huge difference from the donation statement of 50 million yuan. Although staff from charitable organizations and foundations have responded to the questioning, indicating that ERKE has signed a donation agreement, the money has been received, and the materials need to be delivered in batches, these measures still cannot eliminate the voices of questioning. For example, there have been speculations on social media that the materials donated by ERKE may be their own accumulated inventory.

In 2004, Bhattacharya pointed out that consumer recognition of corporate CSR behavior is a prerequisite for the effectiveness of CSR [2]. However, cases where companies undertake CSR but consumers do not fully understand and believe in it are not uncommon. It can be seen that one of the keys to future research on using CSR to promote business development is to enhance consumer awareness of corporate CSR behavior. Yoon et al.'s experiment in 2006 demonstrated the significant impact of Perceived Sincerity of Motives on the effectiveness of CSR, a phenomenon also known as consumer attribution, which refers to the causal inference made by consumers when understanding corporate CSR behavior [4]. Consumers usually hold a cautious attitude toward the motivation of companies to undertake CSR, and when consumers recognize CSR, they are likely to question the sincerity of the company. When consumers believe that the motivation for a company to engage in CSR activities is sincere, taking on CSR is effective for the company. Conversely, it is ineffective or even harmful.

4. Suggestions

4.1. Create Sustainable Brand Value

ERKE's previous frequent donations could effectively promote product sales, but its CSR behavior could only have a significant impact in the short term, and consumer attention was more likely to quickly weaken as the popularity of a public welfare event decreased. It can be seen that solely relying on CSR cannot achieve ERKE's sustained brand influence and sales growth. What ERKE needs is to create sustainable brand value. Sen and Bhattacharya's surveys in 2001 and 2004 both indicated that product quality and price are key factors affecting the effectiveness of CSR [2, 7]. CSR is indeed beneficial for improving a company's reputation, but it may not necessarily lead to long-term brand influence. Even if consumers hold a positive view towards companies that undertake CSR, they are likely still unwilling to make sacrifices in terms of product price and quality. Hou Limin and Xue Qiuzhi found in their 2014 study that the impact of CSR on companies in different industries varies. Specifically, for durable consumer goods represented by televisions, the impact of CSR on corporate brands is significantly greater than that of corporate capabilities. For fast-moving consumer goods represented by beverages, the opposite is true [9]. By definition, the sportswear produced by ERKE belongs to durable consumer goods, so ensuring the price and quality of the product itself is more likely to encourage consumers to pursue it. ERKE needs to recognize the necessity of improving products and services and integrate CSR into the business operations of the enterprise rather than treat it as a marketing tool separate from the enterprise's products. Only by improving consumer satisfaction and loyalty can ERKE establish a stable brand reputation and market position and form sustainable brand value.

4.2. Improve Transparency of Communication and Establish a Stable Corporate Image

Some consumers have questioned ERKE's donation motivation when engaging in CSR activities, believing that it was for marketing purposes rather than sincerity towards public welfare. The author of this article holds that ERKE needs to establish a more transparent communication mechanism and a trustworthy corporate image to avoid potential motivational sincerity perception crises in the future. Ellen et al. pointed out in their 2006 article that consumers actually divide the motivation for companies to undertake CSR into four types: strategic, egoistic, value-driven, and stakeholder-driven. Among them, "strategic" and "egoistic" refer to companies only using CSR behavior as a marketing tool, which will have a negative impact on consumer behavior [10]. According to the research of multiple scholars, the sources of information about companies undertaking CSR have a significant impact on consumers, among which the promotion from the company itself is more likely to lead consumers to doubt the motivation of the company's public welfare. For example, Su Rongjia and Jie Xiaowen stated in their 2017 paper that companies should prioritize using third-party organizations when promoting CSR. The information disseminated by seemingly objective and impartial stakeholders can effectively reduce consumer questioning and, to some extent, improve communication transparency, which is beneficial for the public in generating consumer attributions that benefit businesses. In addition to promoting the CSR commitment of the enterprise through third-party channels, ERKE also needs to showcase the actual content and implementation of public welfare activities to society in a timely manner, further enhancing consumer trust in it.

5. Conclusion

ERKE's donation behavior did promote consumers' purchase behavior, and theories such as customer-enterprise identity also provide the theoretical basis for it. However, the popularity brought by ERKE through CSR lasted for a short time and could not be translated into long-term customer attraction, and it tends to fall into a crisis of perception of sincerity motivation. In view of the above problems, this paper gives some suggestions for creating sustainable brand value and improving communication transparency.

This article provides a brief overview of the mechanism by which CSR affects consumer behavior, using the case of ERKE's donation in 2022. It also analyzes the problems that ERKE currently faces when implementing CSR and proposes solutions that can help ERKE and other enterprises improve their financial performance through CSR and other means.

The impact mechanism of corporate social responsibility on consumer behavior is complex, and the influencing factors are diverse. This article only uses the theories and research results of previous scholars to analyze the ERKE donation case. It mainly uses second-hand data and information, which may have the disadvantage of not being comprehensive and direct enough. Future research can start from multiple perspectives and cases and obtain first-hand data and information through questionnaire interviews with consumers. Meanwhile, the case of ERKE is unique as it is situated in a specific social and cultural environment. Future research also needs to examine further the impact of CSR on consumer behavior in different cultural backgrounds. Increase in amount.

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