CSR associations and market value: the moderating role of market competition

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Abstract

Purpose – This paper aims to study the impact of consumers' corporate social responsibility (CSR) associations on corporate financial performance and the moderating role of market competition.

Design/methodology/approach – The panel data set is analyzed using a random effects regression model. The analyzed data is based on the unique RepZ Responsibility scores published by the global research agency Kantar Millward Brown and contains information about consumer CSR associations.

Findings – This study reveals CSR associations' positive, lagged, direct impact on firms' market value. Market competition moderates this relationship in the way that a company's market value benefits more from consumers' CSR associations when facing high rather than low market competition.

Practical implications – Consumers' CSR perceptions increase the market value of a company. This effect is intensified when brands are exposed to intense competition, which allows conclusions about CSR as a differentiation strategy to be drawn: To stand out in a competitive market, brands should prioritize improving their CSR associations among consumers to differentiate themselves and increase their market value.

Originality/value – To the best of the authors' knowledge, this study is the first to test the effect of consumers' CSR associations on forward-looking financial performance measures. Moreover, by analyzing the moderating effect of market competition on the relationship between CSR associations and firms' market value, this study provides information about the differentiating power of CSR from a brand perspective using a panel-data analysis.

Keywords CSR associations, Financial performance, Market competition

Paper type Research paper

1. Introduction

Corporate social responsibility (CSR) has gained momentum for brands across various sectors (Mishra and Modi, 2016). This concept is driven by the growing awareness of consumers, activists, employees and international regulators toward environmentally and socially responsible consumption (Nickerson *et al.*, 2022; Vock, 2022; Ford and Stohl, 2019). Brands are increasingly adopting CSR as both a strategic marketing tool and a branding strategy to set themselves apart from competitors; this move comes particularly in response to rising market competition (Dupire and M'Zali, 2018; Muniz and Guzmán, 2021; Gilal *et al.*, 2023; Safeer and Liu, 2023; Childs *et al.*, 2019; Pope and Kim, 2022). Despite the prevalence of this trend, there remains a notable research gap concerning the specific competitive conditions under which CSR most effectively differentiates a brand from another.

Brand differentiation can be defined as a brand's perceived distinctiveness and ability to stand out in the marketplace (Bhattacharya *et al.*, 2020). The ability to differentiate is crucial for a brand as it helps create market entry barriers, increase customer loyalty, and boost purchase frequency to improve financial performance (Erdem and Swait, 2004). Therefore,

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conclusions can be drawn about the differentiation potential by analyzing the impact of CSR associations on companies' financial performance. To help marketers decide under which competitive conditions CSR has the most significant differentiation potential, this study examines the competitive conditions under which consumers' CSR associations are financially most beneficial.

The impact of CSR on financial performance from the consumer's perspective is largely unexplored (Ghanbarpour and Gustafsson, 2022). Both research into traditional financial targets, such as market value, and brand-specific research into brand value only rarely consider CSR associations' influence (Pope and Kim, 2022). Most research focuses on CSR's influence on subjective measures like customer loyalty (e.g. Raza *et al.*, 2020) and purchase intention (e.g. Lin *et al.*, 2011). To the knowledge of the authors of this study, only Ghanbarpour and Gustafsson (2022) analyze the effect of consumers' CSR associations on a firm's financial performance, showing that consumer attitudes toward CSR activities indirectly influence future earnings through customer satisfaction. However, the authors do not consider the extent to which market competition influences the effect of CSR associations so that no statements can be made about CSR's differentiation potential.

To fill this gap, this study seeks to make one primary and three secondary contributions toward bridging the research gap. It chiefly examines how market competition influences the relationship between consumers' CSR perceptions and a company's market value. This analysis offers insights from a brand perspective into the competitive situations where CSR will most strongly differentiate the brand. Regarding secondary contributions, this study first answers Ghanbarpour and Gustafsson's (2022) call for research that analyzes the effect of CSR associations on forward-looking, financial-related performance measures instead of backward-looking accounting measures. Secondly, compared to the current research, this study considers a broader range of industries across which the impacts of CSR activities tend to vary. RepZ Responsibility ratings, containing information about consumers' attitudes toward the CSR activities of brands in various industries, six different countries within North America, Europe and Asia, and business-to-business (B2B) and business-to-consumer (B2C) markets from 2011 to 2018, were used (Kantar, 2019). Finally, in line with Dahlsrud's (2008) meta-analysis of dimensions attributed to CSR, this is the first study on financial performance that goes beyond a single-item measure, measuring CSR associations with multiple items instead.

To establish these contributions, the conceptual background is presented in Section 2, followed by the hypotheses in Section 3. Section 4 contains the methodology. After presenting the results in Section 5, this article concludes in Section 7 with a discussion, theoretical and managerial implications, limitations and suggestions for further research.

2. Conceptual background

To begin, a common understanding of the term CSR is required. CSR has amassed varying definitions both in academia and practice (Dahlsrud, 2008); nonetheless, it can be stated that broadly speaking, it refers to a company's activities and status concerning its perceived obligations to society, stakeholders or the environment (Brown and Dacin, 1997; Luo and Bhattacharya, 2006; Servaes and Tamayo, 2013). Regarding consumers' CSR associations, Brown and Dacin (1997) distinguish between two different corporate associations, namely, corporate ability CA and CSR associations, which collectively represent a person's information about a company. CA associations are consumer associations related to a brand's competence in producing and delivering products or services. In contrast, CSR associations reflect a person's information about a brand's societal, stakeholder or environmental obligations (Brown and Dacin, 1997).

When analyzing the profitability of CSR, different research directions use different measures and perspectives to assess profitability and CSR. Firstly, to evaluate profitability, brand research relies primarily on consumers' brand perceptions, including brand awareness, perceived quality and brand loyalty (Yoo *et al.*, 2000), part of a multidimensional concept called brand equity (Aaker, 1991; Muniz *et al.*, 2019). In contrast, brand research on financial performance indicators, like brand value, is far less extensive (Pope and Kim, 2022). Nevertheless, actual brand value as an indicator of financial performance should be considered more important because, from a management perspective, the ultimate goal of brand management research should be to understand how to increase brand equity to create economic value (Raggio and Leone, 2007). Accordingly, the economic value of CSR is examined in the finance and management literature, focusing on market value as an indicator of financial performance, which is appropriate for analysis in this study.

Secondly, research can be categorized according to the viewpoint from which CSR is considered (Ghanbarpour and Gustafsson, 2022). While consumers' CSR associations can serve as a reference point, efforts are also made to reflect the brand's actual behavior. This approach is typically quantified in the form of corporate social performance.

Although the effect of corporate social performance on a company's financial performance has been widely examined, the impact on financial performance from the consumer's perspective is uncharted territory (Wang *et al.*, 2016; García *et al.*, 2020; Mishra and Modi, 2016; Bhattacharya *et al.*, 2020). Brand, finance and management research rely heavily on the assessment of corporate social performance through agency ratings, with past environmental impacts and current management measures, such as the Kinder Lydenberg Domini (KLD) rating system, taken into account (e.g., Bhattacharya *et al.*, 2020; Chatterji *et al.*, 2009).

From a marketing perspective, the analysis of corporate social performance is insufficient for several reasons. Firstly, no conclusions can be drawn about the effect of CSR on individual branding strategies and communication methods. Secondly, a company's action perspective overlooks a consumer's lack of complete information and the asymmetry between actual CSR activities and consumers' CSR associations. Thirdly, these studies underestimate a consumer's limited expertise in evaluating CSR actions (Lyon and Maxwell, 2006) . Relying on corporate social performance also neglects that a company's financial performance is primarily driven by consumers' impressions, which ultimately determine their perception of and relationship with a brand (Gupta and Zeithaml, 2006). With this in mind, to analyze CSR's impact as a branding strategy and differentiation tool, it is imperative to investigate the influence of consumers' CSR associations on a firm's financial performance rather than analyzing the action perspective of CSR.

Current research only considers the relationship between corporate social performance and a company's financial performance, ignoring consumers' CSR associations. Research on the effect of CSR on brand value also only considers corporate social performance and overlooks CSR associations and the moderating role of market competition. Table 1 provides an overview of studies on corporate social performance, CSR associations, financial performance, and the moderating role of market competition.

This study draws on consumer–company identification to address the relationship between consumers' CSR associations and firms' financial performance and complement existing marketing research that relies primarily on stakeholder theory (Freeman, 1984; Mishra and Modi, 2016). According to stakeholder theory, CSR improves companies' financial performances by enabling them to meet the social responsibility expectations of stakeholders (Sen *et al.*, 2006). However, stakeholder theory does not explicitly address consumer attitudes, so consumer–company identification is used to improve understanding of how CSR influences consumer behavior and a firm's financial performance (Bhattacharya and Sen, 2003; Pérez, 2009).

Consumer–company identification is based on social identity (Tajfel and Turner, 1985) and organizational identification (Bergami and Bagozzi, 2000; Bhattacharya and Sen, 2003; Dutton *et al.*, 1994; Mael and Ashforth, 1992) and refers to a cognitive state of connection and closeness between consumers and a company. The extent of the relationship between an individual consumer and an organization is established through a subjective comparison of their respective identities (Bhattacharya and Sen, 2003; Dutton *et al.*, 1994).

As per the concept of consumer-company identification, a consumer's identification increases if companies possess an appealing identity that can fulfill said consumer's self-definition needs (Bhattacharya and Sen, 2003; Dutton *et al.*, 1994). The notion of self-definition encompasses the aspects of self-continuity, self-distinctiveness and self-enhancement (Dutton *et al.*, 1994). Fatma *et al.* (2016) also use a brand's fulfillment of its self-definition needs to illustrate how CSR and CA associations influence consumers' brand identification. The theoretical foundations described by Dutton *et al.* (1994) can also be applied to explain brand identification. Since brands are the object of identification in this study, it relates to consumers' brand identification.

Self-definition needs can be satisfied by brands as follows: Consumers seek continuity in their self-concepts across time and in different situations (Kunda, 1999; Steele, 1988), so if a brand can exhibit or communicate an organizational identity that matches the self-concept of the consumer (i.e. identity similarity), it should effectively meet the need for self-continuity (Bhattacharya and Sen, 2003; Dutton *et al.*, 1994). According to social identity theory, people also seek to distinguish themselves in interpersonal contexts (Tajfel and Turner, 1985), so they might identify with a brand that establishes identity as distinctive dimensions that customers value (i.e. identity distinctiveness) (Bhattacharya and Sen, 2003; Mael and Ashforth, 1992). Finally, to satisfy the need for self-enhancement, consumers seek brands with prestigious identities (i.e. identity prestige) (Ashforth and Mael, 1989; Dutton *et al.*, 1994), which boost their self-esteem and thus evoke more robust consumer identification (Bhattacharya and Sen, 2003). As a result, it can be asserted that when a brand

Table 1 An overview of studies on CSR, financial performance and the moderating role of market competition

Authors	CSR associations	Corporate social performance	Moderated effect of market competition	Dependent variable
This study	X		X	Market value (Tobins' Q)
Ghanbarpour *et al.* (2024)		X		Firm value (Tobins' Q)
Jung and Yoo (2023)		X	X	Market capitalization, profit margin, return on assets
Ghanbarpour and Gustafsson (2022)	X			Firms future earnings
Al-Dhamari *et al.* (2022)		X	X	Market value (Tobins' Q)
Pope and Kim (2022)		X		Brand value
Bhattacharya *et al.* (2020)		X		Brand value
Long *et al.* (2020)		X	X	Return on assets
Yang and Basile (2019)		X		Brand value
Sheikh (2019)		X	X	Firm leverage
Sheikh (2018)		X	X	Market value (Tobins' Q)
Harjoto and Salas (2017)		X		Brand value
Ryu *et al.* (2016)		X	X	Stock returns
Jiao and Shi (2014)		X	X	Market value (Tobins' Q)
Torres *et al.* (2012)		X		Brand value
Melo and Galan (2011)		X		Brand value
Hull and Rothenberg (2008)		X	X	Return on assets
Fisman *et al.* (2006)		X	X	Return on assets (Tobins' Q)

Source: Authors' own work

aids consumers in maintaining their sense of self, distinguishing themselves, or improving themselves, it enhances the brand's attractiveness and a consumer's brand identification increases.

Consumers' CSR associations can satisfy one or more of these self-definition needs, which should lead to increased consumer–brand identification and positive consumer responses (Curras-Perez *et al.*, 2009; Lichtenstein *et al.*, 2004; Pérez and Rodríguez del Bosque, 2015 Sen and Bhattacharya, 2001). Based on these findings, it is proposed that the link between CSR associations and a company's market value exists through the underlying consumer–brand identification process.

3. Hypotheses development

3.1 Corporate social responsibility associations and market value

Following the pioneering study of Brown and Dacin (1997), researchers have attempted to analyze the consequences of CSR associations and deepen the understanding of how and why consumers' CSR perceptions affect their behaviors (Curras-Perez *et al.*, 2009; Lichtenstein *et al.*, 2004; Pérez and Rodríguez del Bosque, 2013, 2015; Sen and Bhattacharya, 2001). According to extensive research on CSR associations' cognitive, affective and conative influences on consumer behavior, two key relationships determine how consumer perceptions impact a company's market value.

Firstly, consumer-brand identification increases if companies have an attractive identity that can fulfill the self-definition needs of their consumers (Bhattacharya and Sen, 2003; Dutton *et al.*, 1994). With this in mind, the evaluation of identity attractiveness depends, at least in part, on CSR associations, as they give consumers insights into the character of a company and fulfill the self-definition needs of self-continuity, self-distinctiveness and self-enhancement (Brown and Dacin, 1997; Turban and Greening, 1997; Du *et al.*, 2007).

The values surrounding CSR have increasingly essential impacts on consumers, so it is assumed that if brands can evoke CSR associations, they increase their identity similarity with consumers' self-concepts and satisfy consumers' need for self-continuity (Bhattacharya and Sen, 2003; Dutton *et al.*, 1994). CSR perceptions are beneficial for distinguishing a brand's identity (Bhattacharya and Sen, 2003; Curras-Perez *et al.*, 2009; Mael and Ashforth, 1992), allowing them to satisfy the consumer's need for self-distinctiveness while also enhancing a brand's identity prestige, thereby fulfilling the need for self-enhancement (Curras-Perez *et al.*, 2009; Fatma *et al.*, 2016). To summarize, consumers' CSR associations should satisfy one or more of consumers' self-definition needs, boost a brand's identity attractiveness, and increase consumer-brand identification.

Increased consumer–brand identification is the second key relationship that plays a role in determining how a consumer's perception of a company affects its market value. Increased consumer–brand identification leads to favorable outcomes for companies (Curras-Perez *et al.*, 2009; Deng and Xu, 2017; Lichtenstein *et al.*, 2004; Mael and Ashforth, 1992; Pérez and Rodríguez del Bosque, 2015; Scott and Lane, 2000) through two routes: indirectly through an affective (i.e. attitudinal) response to a conative response (e.g., purchase intention) (Lichtenstein *et al.*, 2004; Madgiral, 2001) or directly to a conative response (Ahaerne *et al.*, 2005; Bhattacharya and Sen, 2003; Cornwell and Coote, 2005), with no mediation required (Curras-Perez *et al.*, 2009).

Theoretical predictions of both of these consumer responses come from social identity theory. According to Tajfel and Turner (1985), a cognitive self-categorization with a group can lead to conative responses that favor the in-group without involving affective processes. However, Ellemers *et al.* (1999) argue that affective responses can enhance in-group favoritism. Considering the evidence for both direct and indirect effects, it is anticipated that consumer–brand identification will generate multiple favorable outcomes, such as improved purchase and recommendation intentions (Curras-Perez *et al.*, 2009; Deng and Xu, 2017) and actual recommendations and repurchases (Pérez and Rodríguez del Bosque, 2015). Through these routes, CSR associations should have lagged positive effects on firms' market value (Kang *et al.*, 2016; Long *et al.*, 2020; Luo and Bhattacharya, 2006), leading to the following hypothesis:

H1. Consumers' CSR associations have a lagged positive impact on a firm's market value.

3.2 Moderating role of market competition

Consumer-brand identification explains the moderating effect of market competition on the relationship between consumers' CSR attitudes and a firm's financial performance. Based on consumer-brand identification, the degree of consumer identification with the brand depends on the attractiveness of the brand identity and the ability to meet the consumer's self-definition needs (Bhattacharya and Sen, 2003).

Market competition largely determines the differentiating power of CSR associations as part of the distinctiveness of a brand's identity, which is established in relation to other brands (Ashforth and Mael, 1989; Bhattacharya and Sen, 2003). CSR associations of brands facing high competition are expected to substantially affect perceptions of brand identity and consumer identification with the brand compared to brands in less competitive markets. This assumption is valid, as competition significantly affects brand uniqueness, which leads brands facing tough competition to experience more significant differentiation issues and possess less distinctive identities. As a result, consumers find it more difficult to identify with brands based on CA associations, and thus, the influence of CSR associations on identification with brands increases. This heightened brand identification should ultimately lead to an impact on behavioral objectives and a rise in market value.

Empirical results from related research on the link between corporate social performance and a firm's financial performance confirm the logic of this theoretical foundation, with Hull and Rothenberg (2008) demonstrating that the degree of industry differentiation moderates the relationship between the two. Accordingly, corporate social performance significantly affects a business's financial success in relatively undifferentiated industries (i.e. competitive markets). Long *et al.* (2020) and Sheikh (2018) also find corporate social performance has a more significant impact on a company's market value when competition is moderate or high. Based on the theoretical foundation and the empirical results, the following is expected:

H2a. The impact of consumers' CSR associations on a firm's market value rises when competition in the market increases. As industry concentration increases, the effect of consumers' CSR associations on a firm's market value decreases.

In comparison, related research from Gupta and Krishnamurti (2021) shows that brands in noncompetitive industries benefit more positively from corporate social performance than those in competitive industries. This phenomenon may also be explained using consumer-brand identification theory. If consumers recognize CSR associations among many brands over time, this could reduce the once distinctive impact of CSR associations. As such, while CSR associations in highly competitive industries might diminish the perception of a brand's distinctiveness, they may exert a more pronounced effect in markets with low competition. This is because brands in low-competition markets are less likely to use CSR due to the lessened demand for differentiation and the potential for differentiation via CA associations.

This theoretical argument can also be enriched by empirical results: A connected branch of research empirically demonstrates that the power of differentiation through CSR decreases as CSR becomes more mainstream and prevalent over time (Alves, 2009; Berger *et al.*, 2007; Huemer, 2010; Matten and Moon, 2008; Peloza *et al.*, 2012; Pope and Kim, 2022). To this end, using CSR in competitive industries may lead to lower identity distinctiveness and consumer-brand identification, resulting in weaker behavioral intentions and less positive effects of consumer CSR perceptions on a firm's market value:

H2b. The impact of consumers' CSR associations on the market value of a company increases when competition in the market decreases. As industry concentration rises, so does the effect of consumers' CSR associations on a company's market value.

4. Methodology

Various panel data regression models were used in this study to investigate how consumers' CSR associations affect a firm's market value and whether market competition affects the relationship between consumers' CSR associations and a firm's market value.

Panel data analysis is widely used in finance, marketing and several economic sectors, as it allows the analysis of changes in variables over time and between different entities (Ramos and Casado-Molina, 2021; Baltagi, 2008). For this reason, several studies have employed panel data analysis to examine how a company's financial performance is affected by corporate social performance (Jung and Yoo, 2023; Jiao and Shi, 2014). Two primary rationales support the use of panel data analysis in the context of this study.

Firstly, examining panel data mitigates potential endogeneity problems arising in cross-sectional data from relevant unobserved variables (Greene, 2012). For example, a distinctive corporate culture can influence market value, impact various financial metrics, or shape consumer perceptions. If one of these variables, such as corporate culture, were excluded from the model due to its unobservability, the resulting estimates would be biased and inconsistent concerning the measured effects. Panel data models remove non-observed heterogeneity by including either fixed or random effects of the companies.

Panel data models also help solve endogeneity caused by reverse causality. For example, improvements in consumers' CSR perceptions may lead to an increase in the firm's market value, while an increase in the company's market value could simultaneously strengthen consumers' CSR associations. Panel data models include lagged values of the variables, contributing to the resolution of this type of endogeneity.

4.1 Variables

Tobin's Q (Tobin, 1969), i.e. the market value of assets divided by their book value, is the dependent variable for market value. This ratio represents a well-accepted measure of financial performance (Luo and Bhattacharya, 2006; Servaes and Tamayo, 2013). The Herfindahl-Hirschman Index (HHI) is used to measure competition in the market and is widely applied in studies examining how market competition affects the relationship between a firm's social and financial performance (Al-Dhamari *et al.*, 2022). The HHI is calculated as the squared value of the market share of each competing firm in an industry. A higher HHI indicates greater industry concentration and less competition in the firm's industry (Luo and Bhattacharya, 2006; Long *et al.*, 2020). It ranges from 0 to 1, extending from many small competitors to a single monopolistic manufacturer.

This paper uses the RepZ Responsibility score, as calculated by Kantar Millward Brown, to measure CSR associations. The RepZ Responsibility score is based on consumer interviews in more than 46 countries (Kantar, 2019). It has been developed as a multi-item measure of CSR's social, environmental, and stakeholder dimensions. McWilliams and Siegel (2000) suggest including specific control variables when analyzing the relationship between CSR associations and corporate financial performance. Therefore, both research and development (R&D) intensity, measured as the ratio of R&D expenses to assets (RDI), and advertising intensity, or the ratio of advertising expenditures to assets (ADI), which previous authors consider critical determinants of market value, are considered in this study (Chauvin and Hirschey, 1993; Luo and Bhattacharya, 2006; McWilliams and Siegel, 2000; Servaes and Tamayo, 2013). Dividend per share (DPS) in USD, return on assets (ROA), debt (DEB) in USD and leverage (LEV), computed as the ratio between debt and equity and assets (ASE) in USD, have also been employed as additional control variables (Cochran and Wood, 1984; Servaes and Tamayo, 2013). Table 2 lists all the variables in the analysis.

This study relied on three different data sets to gather these variables. The financial information was collected from the Thomson Reuters Eikon database, while details regarding R&D expenses and ADI came from Compustat and Datastream, respectively. Finally, CSR scores were obtained from Kantar Millward Brown. Given the need to collect data

Table 2 Variables and data sources

Variable	Definition	Data source
Corporate social responsibility associations (CSR associations)	A score that includes consumer ratings on the social, environmental and stakeholder dimensions of CSR	RepZ responsibility score by Kantar Millward Brown
Herfindahl-Hirschman Index (HHI)	The squared value of the market share of each firm competing in an industry	Orbis
Research and development intensity (RDI)	The ratio of R&D expenses to assets	Compustat
Advertising intensity (ADI)	The ratio of advertising expenditures to assets	Datastream
Dividend per share (DPS)	The sum of declared dividends issued by a company for every ordinary share outstanding	Orbis
Return on assets (ROA)	Dividing the net income by the total assets	Orbis
Leverage (LEV)	The ratio between debt and equity	Orbis
Debt (DEB)	Money that the company owes to external parties	Orbis
Assets (ASE)	A resource controlled by the company as a result of past events and from which future economic benefits are expected to flow to the company	Orbis
Tobin's Q (TOB)	The market value of assets divided by their book value	Thomson Reuters Eikon

Source: Authors' own work

from three databases and stipulate that each company be linked to only one leading brand, the final selection of companies for the analysis consists of 20 firms. The data for these companies was accessible for the period spanning from 2011 to 2018, and a total of 160 observations were gathered. The companies represent different industries and countries and compete in B2B and B2C markets. Table 3 lists all brands by category, country, and region, and Table 4 illustrates the pooled descriptive statistics.

The Pearson correlation coefficients between variables are displayed in Table 5. Their typical values are sufficiently low, making multicollinearity unlikely to pose an issue.

4.2 Model selection and details

This study deploys a panel data regression model in which the dependent variable is Tobin's Q. The explanatory variable CSR is included to test Hypothesis 1. The explanatory variable HHI and the interaction HHI x CSR are included to test Hypothesis 2. The model also includes standard financial ratios, such as ROA, DPS, LEV, ASE, and DEB (with the last two being transformed into logarithmic transformation), as well as the control variables RDI and ADI, considered critical determinants of market value. As mentioned above, the model includes company effects to avoid endogeneity problems related to the existence of relevant unobserved variables.

Hypothesis 1 assumes a lagged positive effect of consumers' CSR associations on firms' market value. As a result, this study considers two model specifications: In Model 1, all dependent variables are contemporary with the independent variable, whereas in Model 2, a one-year lag is included for CSR, HHI, RDI, and ADI. Formally:

Model 1:

$$TBQ_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 HHI_{it} + \beta_3 CSR_{it} HHI_{it} + \delta_1 RDI_{it} + \delta_2 ADI_{it} + \delta_3 DPS_{it} + \delta_4 ROA_{it} + \delta_5 LEV_{it} + \delta_6 loglog\,(DEB_{it}) + \delta_7 loglog\,(ASE_{it}) + \alpha_i + \varepsilon_{it},$$

and

Table 3 Brand information

Brand	Category	Country	Region
Accenture	Technology	US	North America
Adidas	Apparel	Germany	Europe
Amazon	Retail	US	North America
Apple	Technology	US	North America
AtandT	Telecom providers	US	North America
Cisco Systems	Technology	US	North America
Ebay	Retail	US	North America
Ford	Cars	US	North America
Honda	Cars	Japan	Asia
HP	Technology	US	North America
Intel	Technology	US	North America
L'oreal	Personal care	France	Europe
Microsoft	Technology	US	North America
Nissan	Cars	Japan	Asia
Pepsi	Soft drinks	US	North America
Samsung	Technology	South Korea	Asia
Toyota	Cars	Japan	Asia
Disney	Entertainment	US	North America
Lauder (Estee)	Personal care	US	North America
Oracle	Technology	US	North America

Source: Authors' own work

Model 2:

$$TBQ_{it} = \alpha + \beta_1 CSR_{it-1} + \beta_2 HHI_{it-1} + \beta_3 CSR_{it-1} HHI_{it-1} + \delta_1 RDI_{it-1} + \delta_2 ADI_{it-1} + \delta_3 DPS_{it} + \delta_4 ROA_{it} + \delta_5 LEV_{it} + \delta_6 loglog\,(DEB_{it}) + \delta_7 loglog\,(ASE_{it}) + \alpha_i + \varepsilon_{it},$$

where i refers to companies, and t indicates years.

The plm package in the statistical software R facilitates the straightforward estimation of linear panel models and is employed in this study to estimate the models (R Core Team, 2021). In the first step, the nature of the company effect, namely none, fixed or random, must be determined. F-tests

Table 4 Pooled descriptive statistics ($n = 160$)

Variable	Mean	SD	Minimum	Maximum
CSR	100.07	15.80	68.50	174.00
HHI	0.09	0.04	0.03	0.21
RDI	3.67	3.31	0.10	19.29
ADI	5.49	8.94	0.05	37.17
DPS	1.16	0.97	0.00	4.37
ROA	0.09	0.05	−0.01	0.29
LEV	0.82	1.44	−9.37	6.62
DEB (million)	41,671.62	47,763.07	0.00	182,077.58
ASE (million)	139,119.57	118,463.55	6,593	531,864.00
TBQ	2.19	1.08	0.85	5.69

Source: Authors' own work

were conducted to choose between none or fixed effects (p-values < 0.0001 for both models) and no preference for time effects (p-values $= 0.3394$ for Model 1 and p-value $= 0.6733$ for Model 2). Regarding company effects, the Hausman (1978) test suggested that random effects should be used instead of fixed effects (p-values $= 0.2932$ for Model 1 and p-value $= 0.3486$ for Model 2). Therefore, in both Models 1 and 2, estimation was carried out with company random effects.

5. Results

Table 6 displays the results of the estimated models. The column referred to as Model 1 shows that none of the explanatory variables (CSR, HHI or their interactions) are significant. In Model 2, the variables were lagged by one year. In this case, CSR, HHI and the interaction of HHI and CSR significantly affect market value ($p < 0.05$). The effect of the explanatory variables on market value is lagged by one year, meaning Hypothesis 1 can be confirmed.

Next, the interaction of CSR associations and market competition (i.e. industry concentration) exhibits a significant and negative coefficient in Model 2, in that the effect of CSR associations on market value decreases as market competition decreases (industry concentration increases). These results support Hypotheses 2a and reject Hypotheses 2b.

6. General discussion

Drawing on consumer–brand identification (i.e. consumer-company identification), this study is the first to investigate the moderating role of market competition on the relationship between consumers' CSR associations and a firm's market value to identify the competitive conditions under which CSR can better differentiate the brand among consumers. It is also the first study to examine the influence of consumers' CSR associations on a firm's market value. For this review, panel data analysis was conducted using unique consumer CSR association data from Kantar Millward Brown.

The results show that consumers' CSR perceptions increase a firm's market value. This effect is intensified when brands are exposed to intense competition, which allows conclusions to be drawn about CSR as a differentiation strategy: To stand out in a competitive market, companies should prioritize improving their CSR associations among consumers to differentiate themselves and increase their market value. These results confirm the theoretical foundation via consumer-brand identification in Hypothesis 1: Consumers' CSR associations lead to increased identification with brands, which ultimately affects consumers' behavioral habits and is reflected in a company's increased market value. Furthermore, the results support the theoretical foundation in Hypothesis 2a and highlight that consumers' CSR associations contribute to stronger differentiation and, thus, stronger identification with the brand, especially in highly competitive industries. It refutes the theoretical assumption in Hypothesis 2 b, which states that inflationary use of CSR as a differentiator identity results in weaker distinctiveness in highly competitive industries compared to those with lower levels of competition. Accordingly, CSR has not become "mainstream" during the survey period; instead, it represents an adequate tool for brands to differentiate themselves from competitors in highly competitive industries.

6.1 Theoretical contributions

This study makes several theoretical contributions to CSR, financial and brand management literature by examining the relationship between consumers' CSR perceptions and a company's financial performance, considering the moderating role of market competition. Current research on consumers' CSR associations and a firm's financial performance focuses primarily on mediating factors, neglecting the influence of potential moderating factors. This study contributes to bridging this research gap by examining how market competition moderates the relationship between consumers'

Table 5 Pooled Pearson correlation coefficients ($n = 160$)

Variable	RDI	ADI	CSR	ASE	DPS	ROA	DEB	LEV	HHI	TBQ
RDI	1.000									
ADI	−0.246	1.000								
CSR	−0.074	−0.223	1.000							
ASE	−0.061	−0.426	0.199	1.000						
DPS	−0.342	0.356	0.170	−0.061	1.000					
ROA	0.189	0.106	−0.041	−0.247	0.140	1.000				
DEB	−0.137	−0.364	0.213	0.881	−0.036	−0.451	1.000			
LEV	−0.076	−0.114	0.024	0.246	−0.067	−0.348	0.477	1.000		
HHI	0.167	0.369	−0.256	−0.326	−0.326	−0.050	−0.337	−0.145	1.000	
TBQ	0.134	0.431	−0.161	−0.471	0.180	0.394	−0.458	−0.173	0.446	1.000

Source: Authors' own work

Table 6 Results

Variable	Random effects Model 1	Model 2
CSR	0.008 (0.009)	
HHI	6.753 (10.491)	
CSR*HHI	−0.043 (0.097)	
RDI	−0.050 (0.046)	
ADI	−0.010 (0.017)	
Lag (CSR)		*0.021* ** (0.010)
Lag (HHI)		*24.771* ** (10.906)
Lag (HHI*CSR)		−*0.207* ** (0.105)
Lag (RDI)		−*0.093* ** (0.044)
Lag (ADI)		−0.023 (0.016)
DPS	*0.443* *** (0.095)	*0.382* *** (0.099)
ROA	*3.350* ** (1.639)	*7.105* *** (1.877)
LEV	0.012 (0.034)	0.026 (0.036)
Log (DEB)	*0.117* *** (0.045)	0.082 (0.085)
Log (ASE)	−*0.628* *** (0.146)	−*0.596* *** (0.156)
R^2	0.310	0.355
Adj. R^2	0.257	0.300
Num. obs.	142	127
s_idios	0.313	0.306
s_id	0.802	0.728

Notes: ***$p < 0.01$; **$p < 0.05$; *$p < 0.1$. The dependent variable is Tobin's Q (market value of assets divided by book value)
Source: Authors' own work

CSR associations and a brand's market value. It demonstrates that favorable consumer perceptions of a company's CSR can significantly enhance its market value in highly competitive markets where competition is intense. However, this effect is comparatively less pronounced in markets with lower competition levels.

Firstly, these results contribute to the knowledge of CSR associations and can be discussed in light of related research on corporate social performance. The finding that consumers' CSR associations have a more substantial effect on firms' market value in highly competitive industries aligns with the findings that corporate social performance has a more substantial effect on firms' market value when competition is moderate or high (Long *et al.*, 2020; Sheikh, 2018; Sheikh, 2019; Jiao and Shi, 2014) or when firms operate in undifferentiated industries (Hull and Rothenberg, 2008).

Contrary to the findings mentioned earlier, the results of this study contrast with the work of Al-Dhamari *et al.* (2022) and Ryu *et al.* (2016), who concluded that corporate social performance only increases the market value of firms with low market competition. Similarly, the results of this study are inconsistent with the findings of Jung and Yoo (2023), who show that the positive effect of corporate social performance increases when market competition decreases, and the findings of Gupta and Krishnamurti (2021), who were unable to establish any demonstrable impact of corporate social performance on financial performance within competitive markets. These studies found that the increased effects of CSR on market value in industries with low competition are because, in more competitive markets, limited resources are more likely to be directed toward higher-priority activities like product or process innovation (Jung and Yoo, 2023).

In summary, research into the moderating effect of market competition on the relationship between corporate social performance and market value yields inconsistent results. However, this study's results show that consumer CSR associations positively affect market value, especially in highly competitive industries.

This study's second theoretical contribution to CSR, financial, and brand management literature is evident in its analysis of forward-looking financial performance measures as a dependent variable. It confirms that consumers' CSR associations have a positive lagged direct impact on firms' market value (Tobin's Q). By testing forward-looking financial performance measures instead of backward-looking accounting metrics (Ghanbarpour and Gustafsson, 2022), the authors address the growth prospects of CSR and expected performance in the future (Servaes and Tamayo, 2013). According to prior research, forward-looking performance measures that rely on stock market performance and assess the market value of companies (e.g., Tobin's Q) may be more important than backward-looking financial measures (Rust *et al.*, 2004; Tobin, 1969), because market value depends on growth prospects or predicted future performance, rather than historical performance (Rust *et al.*, 2004). Particularly within a CSR context, companies might intentionally sacrifice some current profitability to pursue CSR activities that will benefit them long-term (Servaes and Tamayo, 2013).

While this study demonstrates a positive lagged direct effect of CSR associations on forward-looking financial performance measures, Ghanbarpour and Gustafsson (2022) evidence a positive lagged indirect effect on backward-looking accounting measures as a result of such associations.

Similar to the moderation effect results, research on the impact of corporate social performance on the market value of firms produces varying or inconclusive outcomes (Wang *et al.*, 2016). While some studies present a positive relationship (e.g., Luo and Bhattacharya, 2006; Surroca *et al.*, 2010; Jo and Harjoto, 2011), other studies demonstrate a negative link (e.g., Graves and Waddock, 2000) between corporate social performance and firms' market value. Scholars have cited different measurement methodologies for corporate social performance and financial performance as reasons for the varied findings (Waddock and Graves, 1997; Wang *et al.*, 2016).

In contrast to the mixed research findings on corporate social performance and market value within the finance and CSR literature, studies within the branding literature consistently report a positive relationship between corporate social performance and brand value. Harjoto and Salas (2017) demonstrate that proactive CSR activities enhance brand value, while Bhattacharya *et al.* (2020) extend this analysis by examining market conditions during a recession, showing that CSR initiatives undertaken during economic downturns increase brand value. The positive correlation between corporate social performance and brand value observed in branding literature aligns with the favorable impact of consumers' CSR associations on firms' market value, thereby offering significant contributions to brand management research.

While previous studies of corporate social performance and brand value have already highlighted the differentiation potential of CSR (e.g., Bhattacharya *et al.*, 2020), this study provides evidence of CSR's differentiation power from the customer's perspective. The findings enrich existing research by shifting the focus from the firm's actions – conceptualized as corporate social performance – to consumers' CSR associations. This shift allows for a deeper understanding of CSR as both a branding strategy and a communication tool, particularly given consumers' limited expertise in evaluating CSR activities, offering new insights into the role of CSR in consumer perception and brand management.

Thirdly, the findings presented throughout this study also address the geographic and sector-specific constraints found in previous research, constituting the third theoretical contribution of this study to research on CSR, financial management and brand management. To date, the effect of consumers' CSR perceptions on a company's financial performance has been only considered in the service sector in Scandinavian countries, which are known for their impressive CSR performance (Strand *et al.*, 2015). They represent a unique model setting, generating results that cannot be unconditionally transferred to other countries and regions. Accordingly, existing research does not allow for a generalized conclusion regarding the effect of consumers' CSR associations on the financial performance of firms. To provide a broader scope and better generalization than previous research, this study utilized CSR perceptions from customers from more than 46 countries, collected between 2011 and 2018. To further help achieve this aim, brands from different industries (i.e. technology, apparel, retail, cars, personal care, soft drinks and entertainment) and various countries (i.e. the US, Germany, France, Japan and South Korea) and B2C and B2B markets were included.

Finally, single-item measurements have been criticized for not reflecting the complexity and multidimensionality of CSR. As an example, Ghanbarpour and Gustafsson (2022) measure perceived CSR with a single item: "[xx] is a company that takes social responsibility" (Dahlsrud, 2008). This study contributes to the research on CSR associations and the financial performance of a business by using a multiple-item measure of CSR associations that spans social, environmental and stakeholder commitments.

6.2 Managerial contributions

The first finding highlights how CSR associations exert a discernible influence on a company's market value. As such, brands have the potential to enhance their market value by strategically invoking CSR perceptions in the minds of consumers. This emphasizes the critical importance of CSR not only in strategic implementation and execution but also in marketing and brand management. To capitalize on consumers' CSR associations, brands would benefit from incorporating CSR as a branding tool and embedding it within their overall communication strategy. Consequently, marketing managers must address how they can optimally enhance consumers' CSR associations. Effective CSR communication is crucial in this endeavor.

However, caution must be exercised when communicating CSR, particularly with regard to environmental initiatives. A growing consumer skepticism has emerged due to brands attempting to benefit from an environmentally friendly image without delivering on promised behaviors (Parguel *et al.*, 2011; Szabo and Webster, 2021). This practice, wherein brands highlight the eco-friendliness of their products and services while concealing environmentally detrimental aspects, is recognized as greenwashing (Neureiter and Matthes, 2023). As consumers become increasingly aware of greenwashing, brands must be meticulous in their CSR communications to avoid such accusations while creating the best possible CSR associations among consumers (Leonidou and Skarmeas, 2017).

The second finding reveals that market competition moderates the relationship between consumers' CSR associations and a firm's market value. More specifically, firms whose brands contend with intense market competition (i.e. low industry concentration) experience greater advantages from consumers' CSR associations than those facing lower market competition. Consequently, to establish a distinctive presence in a competitive market, brands are advised to prioritize enhancing their CSR perceptions among consumers. While CSR associations may generate minor financial benefits for brands in less competitive environments, it is essential to note that they still contribute to an increase in their market value. Regardless of their specific situation, brands should view CSR associations as an opportunity to address stakeholders' social and environmental concerns while simultaneously reaping financial benefits, creating a dually advantageous situation.

6.3 Limitations and suggestions for future research

Some limitations of this study may open up further research opportunities. Firstly, this study examines the moderating effect of market competition on the relationship between consumers' CSR associations and the market value of companies without addressing other potential moderating and mediating effects. For example, recent research suggests that the relationship between CSR impressions and financial performance is mediated by customer satisfaction (Ghanbarpour and Gustafsson, 2022). Research on related studies of corporate social performance also demonstrates that the value-enhancing effect of CSR is contingent on certain conditions (Malik, 2015). For example, beyond customer satisfaction (Alafi and Hasoneh, 2012; Luo and Bhattacharya, 2006), reputational effects (Galbreath and Shum, 2012) and competitive advantage might act as mediators in the relationship between CSR and financial performance (Saeidi *et al.*, 2015). Beyond mediating effects, this relationship might also be moderated by, for example, customer awareness (i.e. advertising resources) (Servaes and Tamayo, 2013). As research into the relationship between consumers' CSR associations and the financial performance of a firm is still relatively unexplored, it would be of great interest to ascertain whether the moderating and mediating effects of the relationship between corporate social performance perspective and firms' financial performance extend to the relationship between CSR associations and financial performance.

Secondly, although this study uses consumer data on the environmental, social, and stakeholder dimensions of CSR, the results are consolidated into the RepZ Responsibility Score, so the impact of each CSR dimension cannot be assessed separately. According to Hull and Rothenberg (2008), the corporate action perspective reveals that the effects of CSR on financial performance can differ based on its dimensions (Cavaco and Crifo, 2014; Su *et al.*, 2020). Cavaco and Crifo (2014) point out that differentiating CSR dimensions is critical for understanding the relationship between CSR and financial performance. Further research could investigate the impacts of individual CSR associations on financial performance to provide managers with recommendations for making CSR activities and CSR communication more effective in the future.

The third limitation of this study is that the data covers the period 2011–2018. As already stated in Hypothesis 2b, it is still necessary to examine whether the differentiating power of CSR will remain in the years to come if companies increasingly adopt CSR activities and communication. Furthermore, while the HHI is a commonly used measure for market concentration or competition, it solely considers firms' market shares, disregarding other significant factors that also impact market competition, such as price levels and barriers to entry. As a result, it is recommended that future studies incorporate these factors into their calculations to mitigate potential outcome bias.

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