Building Your Case
Research Findings on the Business Case for Sustainability

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The relationship between corporate social and financial performance is U-shaped. In other words: “If you’re gonna do CSR, go all in.”

Read more: [CSR Pays When You Bake it In Or Ignore it Completely](#)

3 Sustainability Activities that Pay

1. Green Products
2. Corporate Philanthropy
3. CSR Reporting
How Green Products Pay

Customers will pay up to 5 to 10% more for responsible products or services if function and quality remain the same.

Read More: Socially Conscious Consumerism
A Systematic Review, NBS 2008
Green Products

How Do We Get Customers to Buy Green?
How to Do it Right

1. Get **third-party certifications** to endorse your green products.

In one study, coffee drinkers were willing to pay **16% more** per pound for Fair Trade Certified beans.

Read more: [Consumers Reward Companies for Ethical Production](#)

2. Increase the **percentage of product sales** going to charity.

Customers will **pay more for utilitarian products** like toilet paper if 10% of the purchase price goes to a cause rather than 5%.

Read more: [The Winning Formula behind Pink-Ribbon Toilet Paper](https://example.com)

3. Avoid guilt-inducing marketing that conjures negative feelings.

In a study of ethical consumption, people were more than twice as likely to choose Fair Trade teas when the marketing made them feel good about the ethical product rather than guilty about the unethical product.

Read more: Successful Marketers Make Buyers Feel Good, Not Guilty

4. Offer a discount when functionality is compromised, or when the product is “risky.”

In a study from Ottawa’s Telfer School of Management, customers demanded discounts for green products with perceived safety or functional issues, such as re-treaded tires or cell phones.

Read more: Understand When “Green” Means Premium — and When it Requires a Discount

5. Realize CSR means little to luxury brands.

Researchers Carlos Torelli of the University of Minnesota and colleagues found participants evaluated luxury brands like Rolex less favourably in CSR conditions.

Read more: Are Luxury and CSR Compatible?

Questions/Comments?
Corporate Philanthropy

• How Does My Company Benefit From Corporate Giving?

• Will Philanthropy Fix Our Damaged Reputation?
How Philanthropy Pays

Companies in retail and financial services saw increases of

$6 in sales

for every $1 donated through corporate charity.

Read more: Use Corporate Philanthropy to Grow Your Top — and Bottom — Line

Corporate Giving

How Does My Company Benefit From Corporate Giving?

...Customer Loyalty.
1. **Consumer satisfaction** is key to the success of corporate donations.

A study of 251 firms on the Taft Corporate Giving Directory showed those in consumer-focused industries performed best financially following their donations.

Read more: Use Corporate Philanthropy to Grow Your Top — and Bottom — Line

2. Donate to maintain competitive edge in a dynamic or unstable industry.

In a study of 817 companies on the Taft Corporate Giving Directory, firms in dynamic environments who donated benefited most financially due to greater stakeholder support.

3. Give generously, or not at all.

A study of 1,214 firms showed the relationship between financial and social performance is U-shaped: firms that either gave nothing or gave generously had higher net income and ROA than those in the middle.

Read more: CSR Pays When You Bake it In Or Ignore it Completely

3a. Don’t dabble in corporate philanthropy.

In a study of 537 large UK firms, those who performed the worst financially had average levels of corporate giving.

Read More: Strong Financial Results Linked to Very High or Very Low Corporate Giving

3b. Know how much is too much.

Data from Taft Corporate Giving Directories showed donations stopped “paying off” past a certain point: eventually direct costs of philanthropy outweighed financial return.

Corporate Giving

Will Philanthropy Fix Our Damaged Reputation?

...Don’t Hold Your Breath.
1. Recognize corporate giving does not excuse past social irresponsibility.

In a study of Fortune 500 firms, companies with bad reputations that donated to Hurricane Katrina experienced no significant stock price returns or reputational improvements.

Read more: Philanthropy is Not a Quick Fix for a Damaged Reputation

2. Manage crises effectively before spending on charity.

In the same study, firms saw better financial return when they used money to manage their own hardships in difficult economic times rather than donating to others.

Read more: Philanthropy is Not a Quick Fix for a Damaged Reputation

3. Build a good reputation **in the first place.**

In a sample of 108 firms involved in the U.S. stock options backdating scandal, those with socially responsible reputations saw price drops of 1.3% less than socially irresponsible firms.

Read more: [How to Manage Your Company’s Reputation Through a Crisis and Come Out on Top](#)

Questions/Comments?
CSR Reporting

• Why Should I Report CSR Activities?
• What Activities Should I Report?
How CSR Reporting Pays

Being added to a social index doesn't increase a company’s share price—but when a company is removed, its stock takes a hit.

Read more: How Third-Party CSR Ratings Impact Your Share Price

CSR Reporting

Why Should I Report on CSR Activities?

...Because Stakeholders Care.
1. **Be transparent** to boost stakeholder engagement.

In a study of 180 firms, those that integrated environmental and social activities into financial reporting experienced lower stock price volatility than less sustainable peers.

Read more: [The 5 Traits of Firms that Create Sustainability ROI](#)

2. Report CSR activities consistently to strengthen market value.

In a study of 622 firms from S&P 500, DSI 400 or both, even firms with low but consistent levels of CSR had higher market values than firms with occasional spikes in CSR.

Read more: Two Truths of How Social Performance Pays

3. Report CSR activities for **competitive edge** in industries where product differentiation is difficult.

A multinational phone company that actively sought CSR publicity saw **improved brand integrity** and employee willingness to pay a premium.

Read more: [Three Ways to Reap Value from CSR Initiatives](#)

CSR Reporting

What Activities Should I Report?

…Results, Not Goals.
1. Report on results you have achieved.

In a study of 174 energy-intensive companies, firms that had achieved emission reductions had higher Tobin’s q scores than their carbon-emitting peers.

Read more: Investors Reward Environmental Results, Not Targets

2. Realize environmental **targets mean little to investors**.

In the same study, firms that just reported on emission targets had **lower ROE and Tobin’s q scores** than companies who had achieved goals.

Read more: [Investors Reward Environmental Results, Not Targets](#)

3. **Disclose** your mistakes.

Firms that voluntarily disclosed their involvement in the 2006 backdating scandal experienced stock price declines of 2.7% compared to 3.5% for firms that were exposed by others.

Read more: [How to Manage Your Company’s Reputation Through a Crisis and Come Out on Top](#)

Questions/Comments?