The Effect of Charitable Giving on Corporate Image Building and Market Entry: The Case of Walmart

By

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Abstract

Each year, large corporations spend billions of dollars on charitable giving, partly because they believe that charitable giving is an effective way to build their corporate image, which helps their long-term success. In most extant studies, researchers have found a positive correlation between a firm’s overall corporate social responsibility (CSR) performance and financial performance using aggregate data (e.g., KLD social ratings). In this research, we examine the relationship between charitable giving and corporate image at the micro level (city level). We study the charitable giving of Walmart, the world’s largest retail chain. We hypothesize that (i) Walmart’s charitable giving can help build better corporate images in local markets, and (ii) having a better corporate image can further help Walmart overcome its political entry barrier and increase its chance of successful market entry. To test these hypotheses, we compile a unique dataset on Walmart’s donations, tweets, market entry proposals, protests and entry outcomes at the city level from 2009 to 2015. We use the data on tweets to construct a measure of corporate image. We find evidence that charitable giving has a positive effect on corporate image building. In addition, we find that a better corporate image helps reduce protests against Walmart’s entry. Our results suggest that Walmart may use the charitable donation as a strategic tool to help them expand to markets with strong political entry barriers.

Mr Jinghui Qian is a fifth year Ph.D. Candidate in Marketing at the Rotman School of Management, University of Toronto. His research interests are in the areas of brand management, digital marketing, and network effects. Methodologically, he combines econometric methods and machine learning to understand marketing related issues. In his dissertation, he focuses on understanding how firms can strategically use their CSR activities (e.g., charitable giving) to increase corporate image and facilitate business practice. His dissertation is partly funded by the Michael Lee-Chin Family Institute for Corporate Citizenship Research Grant.

All interested are welcome.