sciendo
Proceedings of the 4th International Conference on Economics and Social Sciences (2021), ISSN 2704-6524, pp. 350-358

The 4th International Conference on Economics and Social Sciences
Resilience and economic intelligence through digitalization and big data analytics
June 10-11, 2021
Bucharest University of Economic Studies, Romania

Some Considerations on Integrating Corporate Social Responsibility in the Marketing Strategy of Banking Institutions

Cătălin-Valeriu CURMEI[1]

DOI: 10.2478/9788366675704-035

Abstract

The paper tackles the optimal manner of using corporate social responsibility in banking institutions to improve relations with stakeholders. Based on the previous literature, the paper explains how corporate social responsibility should be integrated in the marketing strategy of the bank, considering the relations of the banks with a wide range of stakeholders. The analysis emphasizes that it is important to integrate corporate social responsibility in the marketing plan in a structural manner, knowing that different types of stakeholders are sensitive to different behaviours of the bank in terms of sustainable actions undertaken.

Keywords: Corporate social responsibility, relationship marketing, banks, stakeholders, marketing strategy.

JEL Classification: G21, M31, M14.

1. Introduction

The banking system was largely considered to be the starting point of the financial crisis started in 2008. After a long period of risk accumulation, partially enhanced by the credit expansion promoted by the banking system in the period 2005-2008, the financial crisis came with disastrous effects on the world economy and, of course, with a negative opinion of the general public on the banking system behaviour.

The beginning of the financial crises also highlighted the crucial role of the banking system in the economy. The states were obliged to use public financial aids to save the main banks in order to allow the economy to continue functioning. Even with these public measures, the financial crisis had important effects on the social well-being of the world population.

The negative effects of the financial crisis on the image of banking institutions are often considered in the literature. In an attempt to improve their image among clients, but also among shareholders, potential investors, employees, communities,

[1] Bucharest University of Economic Studies, Bucharest, Romania, catalin.curmei@fabiz.ase.ro.

etc., banks intensified their corporate social responsibility (CSR) actions. However, the manner of using corporate social responsibility as an instrument to improve the image of the bank in the relationship with different stakeholders was different and so was the efficiency of employing this instrument.

Therefore, we considered important to show, based on the previous literature, how an efficient model of developing CSR practices can be promoted by its full integration in the marketing strategy of the bank.

2. Problem Statement

The research of corporate social responsibility in banks is a topic that gained importance in the last ten years. The analysis is made in different contexts, due to the complex and interdisciplinary character of corporate social responsibility and to its various effects on the bank image. The literature follows two important topics.

On one hand, it tackles the role of corporate social responsibility in the relationship between banks and their investors. The results in this direction are complex. The general conclusions of Goss and Roberts (2011) explain that corporate social responsibility mitigates risks perceived by the creditors thus contributing to diminishing the cost of capital. El Ghoul et al. (2011) emphasize that corporate social responsibility contributes to mitigate risks, thus decreasing the cost of equity. These findings are completed with specific analyses on the banking system.

Chen and Gavious (2015) show that shareholders react differently to corporate social initiatives, as minority shareholders value positively corporate social performance, while institutional investors and major shareholders are insensitive to these initiatives. Glossner (2019) brings useful insights by considering the investment horizon and highlights that shareholders with a long-run investment horizon are more concerned about CSR, but more in the sense of avoiding CSR concerns and the incumbent risk than of enhancing CSR strengths of the banks.

Bae et al. (2018) find a non-linear correlation between banks' corporate social performance and the cost of debt, with a mitigating effect of the former on the cost of debt. However, to a limited extent, the decrease in the financing cost is lower for more intense implication of the banks in corporate social responsibility.

The other main stream of literature is regarding how corporate social responsibility actions undertaken by banking institutions in different countries are perceived by customers and influence banks' image. The literature in this regard is mainly formed of empirical studies based on interviews with samples of clients on particular aspects and on specific national environments, providing sparse conclusions on the subject. However, some general lines are as follows.

Corporate social responsibility is able to have a positive contribution on the brand image and bank reputation. Landrum (2017) published a survey that mentions that more than half of the population interviewed would pay more for products from CSR-performing companies and the trend is more accentuated among young people. Also, Fatma and Rahman (2016) for the Indian banking system, Cowan and Guzman (2020), Lecuyer et al. (in press), Polychronidou et al. (2014) and Xie, Bagozzi and Gronhang (2019) show that corporate social responsibility improves brand image.

However, the literature also identifies mitigating factors such as religious beliefs (Ramasamy et al., 2013), gender (Calabrese, Costa and Rosati, 2016), emotions, attitudes and moral values (Chen and Huang, 2016; Xie, Bagozzi and Gronhang, 2019) or national characteristics such as the law system (Demirbag et al., 2017). From a different perspective, Millon-Cornett et al. (2016), based on an empirical analysis of the U.S. banks demonstrate that these institutions include corporate social responsibility in their instruments used for improving their image seriously affected by the 2008 financial crisis.

The literature also explains that the efficiency of different types of actions included in the field of corporate social responsibility varies, with more altruistic ones being valued more (Perez and Rodriguez del Bosque, 2015; Chen and Huang, 2016). Goyal and Chanda (2017) demonstrate that community and environment-focussed CSR actions are positively related to customer loyalty, and community and customer directed ones are correlated with customer recommendation. Rivera et al. (2016) conclude that training and environmental CSR actions are positively correlated with customer satisfaction.

Other studies analyse how corporate social responsibility is employed in the relationship of banks with other stakeholders. Korshun, Bhattacharya and Sen (2009), Prior, Surroca and Tribo (2008), Benitez et al. (2020) or Tourky, Kitchen and Shoalan (in press) among others analyse how corporate social responsibility influence the relation of banks with their employees. Other categories of stakeholders considered from this perspective are suppliers (Govindan et al., 2018) and communities (Goyal, 2006).

The effectiveness of different types of CSR actions in the relation with specific types of shareholders and the complex interaction of corporate social responsibility with the brand image and customer loyalty makes necessary the integration of banks' policy in terms of CSR in the marketing strategy of the banks. The existing literature supports this idea (Ranangen, 2015).

3. Research Questions/Aims of the Research

The complex mechanism through which corporate social responsibility influences brand image and the relationship of the bank with a wide range of shareholders, as demonstrated in the literature, imposes the integration of the corporate social responsibility policy of the bank in its marketing strategy.

The present paper presents the main particularities of the marketing strategy in banking institutions and explains how and why it should integrate corporate social responsibility in a coherent manner.

4. Research Methods

The paper uses the analysis of the previous literature as a basis for the recommendations regarding the optimal design of a marketing strategy for banks that integrate corporate social responsibility. The professional analytic inference based on secondary data investigation is used in a structured process built upon a classic economic model specific to banking marketing (Olteanu, 2005) to describe the optimal manner of incorporating CSR policy in the marketing strategy coherently to the objectives of the bank.

5. Findings

According to Bhattacharya, Daniel and Sen (2009) the motivations that drive the buying decisions are related to functional benefits of the good offered or to the fact that buying the good makes customers feel better and corresponds to their moral values. Banks can use corporate social responsibility in relation with the second group of motivations and, therefore, integrate it in the marketing activity.

There are two major paths of action for including corporate social responsibility in the design of marketing strategy in banks.

The first one consists in designing dedicated programs targeting the brand image. Corporate social responsibility can thus become an instrument to consolidate the image of the corporation in the eyes of clients and other stakeholders. One should keep in mind that in the banking industry, characterized by a generally high level of homogeneity in the services offered, corporate image is primarily targeted, the service brand being significantly less powerful in stakeholders' cognition (see Olteanu, 2005).

As a consequence of the high homogeneity of the financial services provided by banks, the marketing department has as permanent concern to individualize the service offered according to clients' expectations. If from a technical point of view, the means of personalizing the services offered are limited, one possible way to achieve this goal is to attach them some attributes related to adapting to customers' moral goals and concerns. By considering corporate social responsibility in the design of the banking services, financial institutions address primarily a special category of clients, respectively the caring consumers, segment which recorded a spectacular increase in the last decade and remains on an ascending trend. The integration of corporate social responsibility in the design of the banking services can be done either in the core product or in the auxiliary elements related to the financial services provided. An example for the first case can be the development of dedicated products directed towards environmental protection, such as the issuance of green bonds for financing complex environmental protection programs implemented by private actors or the green mortgages, instrument implemented by several banks in Romania for encouraging the development of green residential projects, but in the meantime to respond to particular segments of clientele concerned with minimizing their environmental impact. In the second case, the consideration of corporate social responsibility is not related to the characteristics of the core product, but with how it is provided for the client. The bank can choose specific ways to deliver it (for example online or through other electronic devices, instead of the classical written form), using recycled materials in the activity of the bank employees, developing special department for assisting clients at distance or manifesting a constant concern for minimizing the quantity of natural resources used in the daily activity by the banks. One widely recorded trend in the banking sector is the choice of certified green buildings for their agencies or meeting points with their clients and stakeholders, as a statement of their preoccupation for environment and community. Another form of auxiliar attributes related to corporate social responsibility attached to the financial services that can be valued by clients and stakeholders are the informational attributes, generally contributing to financial education or environmental concern awareness.

In terms of marketing process levels, considering that the auxiliary attributes of the financial services appear in the direct interaction of the consumers with the employees of the banking institution, within agencies or virtually, the corporate social responsibility should be implemented both in the general level of the bank process level and in the functional one. The general level refers to the design of the marketing process in the bank headquarters and provides those general conceptual attributes of the financial service that are identical in all agencies and instances where the service is provided. The functional level encompasses the particular features of the service intimately related to its provision, which can differ from one agency to another or in time.

The analysis of how corporate social responsibility may be implemented in the marketing strategy can also be made according to what phase of the marketing process (Olteanu, 2005) is concerned with including corporate social responsibility elements. Though specific CSR elements can be implemented throughout all phases, there are several particularities related to each phase.

The market-oriented strategic planning provides the opportunity to integrate CSR especially in defining the mission of the bank and to a lesser extent in the decisions related to the operation domains and to identifying strategic activity units.

The integration of the corporate social responsibility in the strategic planning phase is merely indirect, throughout its potential influences on the generic strategy designed for specific operation domains. The main generic strategies put in evidence by Porter (1985) are the following: the cost domination, the differentiation and the focus. Coherent choices in terms of corporate social responsibility can be identified for each generic strategy, but they are different. In the cost domination strategy, the choices in terms of CSR must be those that converge with the general objective of cost minimization, for instance implementing electronic exchanges of information instead of the written one. In the differentiation strategy, educational or social goals, as well as clearly defined environmental projects can be attached to the service provided. In the focus strategy, those CSR goals clearly associated to the moral values and goals of the clientele segment targeted need to be considered, the others being usually avoided due to their weak power of penetration in the market niche.

The Strategic marketing planning phase offers the possibility to consider how corporate social responsibility can be used in the service design and how it impacts on the decisions related to the marketing mix components. For example, in making the strategic planning of the financial service provision, corporate social responsibility is to be considered at functional level, in the auxiliary attributes that concern the delivery of the main financial services. In the same vein, in the strategic planning of the promotion policy at a general level, the corporate social responsibility can be embedded in the design of the promotional activity in such way as to encompass the concerns of the targeted segment of clients in terms of message, communication channel, informational content etc.

The mission of the company is clearly the focal point where corporate social responsibility should be implemented for insuring an efficient integration of this powerful tool in a successful bank marketing strategy. According to Payne (1993), the mission of the company must describe the corporate goal in a long-run perspective, the principles, values, beliefs and aspirations encompassed in the corporate culture and then transposed into corporate actions. If the bank manages to incorporate corporate social responsibility correctly in the corporate mission, then the bases for an efficient corporate social responsibility policy in improving corporate image are created.

The integration of corporate social responsibility in the choice of the marketing instruments has also some particularities. It is also important to insure and adapt the use of marketing instruments in order to ensure the coherence with the corporate social responsibility goals assumed. Hence, in the segmentation, considering corporate social responsibility may require conducting a market research able to identify the caring consumers and their relative value. Then, the product or corporate strategy should use these finding to assess the correct weight and type of the corporate social responsibility activity, knowing that, according to Beasley and Ghatak (2007), their success depends on the importance of the caring consumers segment in the volume of the potential market and on the institutional features of the economic environment.

In the positioning decisions, corporate social responsibility can be one important form of product or company differentiation as documented on a sample of Nepalese banks in Upadhaya, Munir, Blount and Su (2018).

The coherence of corporate social responsibility with the marketing mix is also important. In terms of product design, as seen before, responsible goals can be integrated in the core product that can be specifically oriented towards caring consumer segments (green mortgages, for example), or in auxiliary attributes of some services addressed to a large mass of consumers (see for example, the cause-related marketing). The decisions related to the promotion of the product or service can be impacted to a bigger or a lesser extent by corporate social responsibility according to the sensitivity of the target segment of clients to the responsible actions of the bank. The decisions regarding the distribution of the service, including the distribution channels, the adequation of the distribution place etc., give the best results when they are designed to be coherent to the corporate social responsibility goals assumed by the banking institution. Even in terms of price policy, corporate social responsibility should be considered, especially if we consider that, at least for certain segments of clientele, the association of the financial service to a certain corporate responsible action can diminish the elasticity of the demand to price increases.

Also, one must consider the wider perspective of the relationship marketing. In this vein, the effect of corporate social responsibility on the relationship of the bank with the other stakeholders is very important. Ranangen (2015) emphasize the need to consider corporate social responsibility when designing the management system of the relationship of the bank with the entire range of stakeholders.

6. Conclusions

The paper provides some considerations on how corporate social responsibility can be used as a financial-banking marketing instrument. Based on the study of the literature on how corporate social responsibility influences the bank relations with stakeholders, we explain in a theoretical approach how corporate social responsibility should be integrated in the marketing strategy of banks for optimal outcomes.

The literature on corporate social responsibility demonstrates that it affects corporate image and the relation with stakeholders. However, the state of the art regarding how it should be used as instrument of the relationship marketing reveals a sparse image, the studies published so far being focused generally on narrow research questions. Therefore, an effort of contributing to the structuring of the specialty literature in the field is useful. This paper represents an attempt of offering a synthesis of the conclusions of the specialty literature regarding the relationship between financial-banking marketing and the corporate social responsibility. It then puts forward considerations about how corporate social responsibility policy should be integrated in the marketing strategy of banks starting from the planning phase, to ensure the necessary coherence with the objectives of the corporation in terms of relationship marketing.

The paper puts in evidence that corporate social responsibility should be integrated in all phases of the marketing strategy, in a manner coherent with the particularities of the financial products and in the relationship with different types of stakeholders, knowing that different categories of corporate social responsibility actions have different efficiency in relation with specific stakeholders and considering different mitigating factors.

As a bottom point, in the present economic conditions characterized by a strong competition, corporate social responsibility cannot be ignored in the banking activity. Its integration in the marketing strategy of the banking institution in a comprehensive and coherent way, represents the necessary condition for obtaining the best results in terms of corporate image and stakeholders' loyalty.

References

[1] Bae, S., Chen, K. & Yi, H.-C. (2018). Are more corporate social investments better? Evidence of non-linearity effect on costs of US bank loans. *Global Finance Journal*, 38, pp. 82-96.

[2] Bhattacharya, C.B., Daniel, K. & Sen. S. (2009). Strengthening stakeholder–company relationships through mutually beneficial corporate social responsibility initiatives. *Journal of Business Ethics*, 85, pp. 257-272.

[3] Benitez, J., Ruiz, L., Castillo, A. & Llorens, J. (2020). How corporate social responsibility activities influence employer reputation, The role of social media capability. *Decision Support Systems*, 129, p. 113223.

[4] Besley, T. & Ghatak, M. (2007). Retailing public goods: The economics of corporate social responsibility. *Journal of Public Economics*, 91, pp. 1645-1663.

[5] Calabrese, A., Costa, R. & Rosati, F. (2016). Gener differences in customer expectations and perceptions of corporate social responsibility. *Journal of Cleaner Production*, 116, pp. 135-149.

[6] Chen, E. & Gavious, I. (2015). Does CSR have different value implications for different shareholders?. *Finance Research Letters,* 14, pp. 29-35.

[7] Chen, Z. & Huang, Y. (2016). Cause-related marketing is not always les favourable than corporate philanthropy: The moderating role of self-construal. *International Journal of Research in Marketing*, 33, pp. 868-880.

[8] Cowan, K. & Guzman, F. (2020). How CSR reputation, sustainability signals, and country-of-origin sustainability reputation contribute to corporate brand performance: An exploratory study. *Journal of Busines Research*, 117, pp. 683-693.

[9] Demirbag, M., Wood, G., Makhamadshoev, D. & Rymkevich, O. (2017). Varieties of CSR: Institutions and socially responsible behaviour, *International Business Review*, 26, pp. 1064-1074.

[10] El Ghoul, S., Guedhami, O., Kwok, C. & Mishra, D. (2011). Does corporate social responsibility affect the cost of capital?. *Journal of Banking & Finance*, 35, pp. 2388-2406.

[11] Fatma, M. & Rahman, Z. (2016). The CSR’s influence on customer responses in Indian banking sector. *Journal of Retailing and Customer Services*, 29, pp. 49-57.

[12] Glossner, S. (2019). Investor horizons, long-term blockholders, and corporate social responsibility. *Journal of Banking and Finance*, 103, pp. 78-97.

[13] Goss, A. & Roberts, G. (2011). The impact of corporate social responsibility on the cost of bank loans. *Journal of Banking & Finance*, 35, pp. 1794-1810.

[14] Govindan, K., Shankar, M. & Kannan, D. (2018). Supplier selection based on corporate social responsibility practices. *International Journal of Production economics*, 200, pp. 353-379.

[15] Goyal, A. (2006). Corporate social responsibility as a signaling device for FDI. *International Journal of the Economics of Business*, 13(1), pp. 145-163.

[16] Goyal, P. & Chanda, U. (2017). A Bayesian network model on the association between CSR, perceived service quality and customer loyalty in Indian banking industry. *Sustainable Production and consumption*, 10, pp. 50-65.

[17] Korshun, D., Bhattacharya, C.B. & Sen, S. (2009). Using corporate scial responsibility to strengthen employee and customer relationships. *Advances in Consumer research*, VIII, pp. 64-65.

[18] Landrum, S. (2017). Millennials driving brands to practice socially responsible marketing. Forbes, 17 March 2017 retrieved on https://www.forbes.com/sites/sarahlandrum/2017/03/17/millennials-driving-brands-to-practice-socially-responsible-marketing/#3739d3c04990 on 3.05.2020.

[19] Lecuyer, G., Capelli, S. & Sabadie, W. (in press). Consumers’ implicit attitudes towards corporate social responsibility and corporate abilities: Examining the influence of bank

governance using the implicit association test. *Journal of Retailing and Consumer Services*, doi: https://doi.org/10.1016/j.jretconser.2019.101989.

[20] Millon Cornett, M., Erhemjamts., O. & Tehranian, H. (2016). Greed or good deeds: An examination of the relation between corporate social responsibility and the financial performance of U.S. commercial banks around the financial crisis. *Journal of Banking and Finance*, 70, pp. 137-159.

[21] Olteanu, V. (2005). M*arketing financiar-bancar* [Financial-banking marketing], Bucharest: Ecomar Publishing House.

[22] Payne, A. (1993). *The essence of services marketing.* New York: Prentice Hall International.

[23] Perez, A. & Rodriguez del Bosque, I. (2015). How customers construct corporate social responsibility images: Testing the moderating role of demographic characteristics. *Business Research Quarterly*, 18, pp. 127-141.

[24] Polychronidou, P., Ioannidou, E., Kipouros, A., Tsourgiannis, L. & Simet, G.E. (2014). Corporate social responsibility in Greek banking sector – An empirical research. *Procedia economics and finance*, 9, pp. 193-199.

[25] Porter, M. (1985). *Avantajul concurential* [The concurential advantage], București: Teora Publishing House.

[26] Prior, D., Surroca, J. & Tribo, J. (2008). Are socially responsible managers really ethical? Exploring the relationship between earnings management and corporate social responsibility. *Corporate Governance: An International Review*, 16(3), pp. 160-177.

[27] Ramasamy, B., Yeung, M., & Chen, J. (2013). Selling to the urban Chinese in East Asia: Do CSR and value orientation matter?. *Journal of Business Research*, 66, pp. 2485-2491.

[28] Ranangen, H. (2015). Stakeholder management in reality: Moving from conceptual frameworks to operational strategies and interactions. *Sustainable Production and Consumption*, 3, pp. 21-33.

[29] Rivera, J.J., Bigne, E., Curras-Perez, R. (2016). Effects of corporate social responsibility perception on consumer satisfaction with the brand. *Spanish Journal of Marketing (ESIC)*, 20, pp. 104-114.

[30] Tourky, M., Kitchen, P. & Shoalan, A. (in press). The role of corporate identity in CSR implementation: An integrative framework. *Journal of Business Research*, doi: https://doi.org/10.1016/j.jbusres.2019.02.046.

[31] Upadhaya, B., Munir, R., Blount, Y. & Su, S. (2018). Does organizational culture mediate the CSR -strategy relationship? Evidence from a developing county – Nepal. *Journal of Business Research*, 91, pp. 108-122.

[32] Xie, C., Bagozzi, R. & Gronhang, K. (2019). The impact of corporate social responsibility on consumer brand advocacy: The role of moral emotions, attitudes and individual differences. *Journal of Business Research*, 95, pp. 514-530.