A contingent perspective on the advantages of stores’ strategic philanthropy for influencing consumer behaviour

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Abstract
The importance and implications of organisational-level charitable giving, or strategic philanthropy, are often overlooked in international consumer literature. Drawing on the utilitarian human capital perspective from economics, the social norm theory from sociology, motivation theory from psychology and the strategy–environment coalignment paradigm in organisational science, this research develops a contingent framework for strategic philanthropy. The empirical results indicate that if drug stores put more emphasis on strategic philanthropy as perceived by customers in the community, customers will have stronger social ties with the store and be more loyal to the store. In addition, it was found that the impact of strategic philanthropy on patronage loyalty is moderated by customer characteristics (gender and ethnicity) and context factors (service quality and cause severity). Copyright © 2005 John Wiley & Sons, Ltd.

INTRODUCTION
Charity giving plays an important role in helping society across different countries (Bendapudi et al., 1996; Joy, 2001; Pracejus and Olsen, 2002; Strahilevitz and Myers, 1998; Supphellen and Nelson, 2001; Turner et al., 2001; Varadarajan and Menon, 1988; Wooten, 2000). For example, in the UK, the majority (more than 66 per cent) of the British people reported donating money to charity, according to the 1999 Independent Sector Gallup Poll (Supphellen and Nelson, 2001). In the context of the UK tourism industry, Turner et al. (2001) note that charity involvement is critical for the survival and prosperity of tourism as one of the world’s largest industries. Their research identifies three different kinds of charity involvement in the UK tourism business sector and argues that donations not only reflect a deep-rooted interest in the environment and social responsibility, but also represent an important tool to preserve and enhance a company’s image, as well as to develop new markets. In addition, Thomas (1999) describes the importance of a UK charity organisation in helping waste management and recycling in the emerging country of Romania. As such,
charity activities may contribute to the development of the whole global economy and sustainable growth.

Furthermore, in the USA, a total of $3.91bn was raised for charity causes by United Way of America in the first half of 2001. In the same year, American individuals and organisations donated over $2bn in just 3 months to ‘9/11’ tragedy victims, tremendously helping to stabilise the US economy and psychological health. Recently, large companies such as Whirlpool, Avon, American Express and IBM have been using charitable investment in communities across the USA to achieve a competitive advantage, in addition to helping the less fortunate. In the cosmetics sector for instance, Avon Products in the USA donates funds for breast cancer research centres.

Generally speaking regarding charity-donating corporations in numerous nations, it is observed that not only is corporate image for patrons elevated, but also employees experience a higher level of self-esteem, corporate citizenship and organisational commitment, ultimately benefiting the firm itself (Hemphill, 1999; Turner et al., 2001; Wilson, 2000).

Surprisingly, the importance and implications of organisational-level charitable giving, or strategic philanthropy in the context of consumer behaviour, is often overlooked in academic research (Bendapudi et al., 1996; Wilson, 2000). It is conceived that corporate strategic philanthropy not only contributes monetary and non-monetary benefits to charitable causes, but also improves a firm’s image and financial performance making it a competitive advantage source (Hemphill, 1999; Strahilevitz and Myers, 1998). To date, this study is among the first to test empirically the impact of consumers’ perceived strategic philanthropy of stores on critical consumer behaviour such as social ties and behavioural loyalty.

The purpose of the present research is to bridge the gap in the literature. A contingent framework of strategic philanthropy has been developed, based upon the theories from various disciplines such as the utilitarian human capital perspective from economics (Sahlins, 1972), the social norm theory from sociology (Schwartz, 1977), motivation theory from psychology (Krebs and Miller, 1985) and the strategy–environment coalignment paradigm from organisational science (eg Aldrich, 1979; Chandler, 1962). This research contends that these aforementioned theories could be synergistically integrated. First, the human capital perspective focuses on a rational and economic analysis of charity giving, while the social norm and motivation theories focus on the psychological motivation (altruistic or egoistic) and normative conformity as the rationale for charity giving. As such, these theories explain the charity-giving phenomenon from different but complementary approaches. Secondly, all these theories are insufficient to address the prominence of charity giving because they only predict the simple, linear relationship between charity giving and the resulting outcomes. As such, the strategy–environment coalignment theory is needed to extend the literature from simply investigating the question: ‘Does strategic philanthropy matter?’, to examining the more realistic and beneficial question: ‘How, why and under what circumstances does strategic philanthropy matter?’.

The empirical results indicate that, as drug stores are perceived to put more emphasis on strategic philanthropy in the community, customers will have stronger social ties with the store and be more loyal to the store. In addition, the impact of strategic philanthropy on patronage intention is found to be moderated by customer characteristics (gender and ethnicity) and context factors (service quality and cause severity). On the other hand, the results do not provide support for the idea that the relationship between strategic
philanthropy and social ties is moderated by such customer or context variables.

LITERATURE REVIEW AND HYPOTHESES
An overview of strategic philanthropy theories
Strategic philanthropy can be defined as a corporation’s emphasis on charitable giving intended to achieve an enhanced corporate image and ties with customers and other stakeholders. Varadarajan and Menon (1988) note that corporate philanthropy evolves from ‘voluntarily doing good’, through mandated corporate social responsibility, to profit-motivated social responsibility. It may take various forms, ranging from physical donations (such as money or clothing given to United Way), the promised giving to charity as a purchase incentive (cause-related marketing, such as Nabisco animal cookies bundled with charitable giving to the World Wildlife Fund), to an intangible partnership and network with minority or economically depressed communities (eg the Ford Foundation organisation).

According to market strategy theory (Baron, 1995), corporate strategic philanthropy may help a firm to achieve a competitive advantage in the dynamic market. First, this is because a firm may use charitable giving to maintain and expand its customer base, to develop stronger social ties with its customers and to promote mutual trust and commitment. Secondly, the images of the product, brand and firm are enhanced in the local communities receiving the charity, which ultimately may lead to higher levels of customer loyalty to the brand and the firm. Thirdly, corporate strategic philanthropy may support a firm’s overall strategy and objectives. Not only will the charity receivers and local communities benefit from the charitable investment, but also the firm itself will benefit if it operates in the local communities (the receiver of the donations) and its employees are from those communities. Employees’ self-esteem, morale and organisational commitment are elevated and their propensity to leave and the risk of turnover changes are reduced. In short, corporate strategic philanthropy may help to manage social relationships and ties with a firm’s stakeholders such as customers, suppliers, employees, community groups and the like (Baron, 1995; Hemphill, 1999). This view is also echoed in the study by Strahilevitz and Myers (1998), which holds that the ‘warm glow’ of charity giving could be spread not only to receivers and the charity-linked firms, but the firm’s employees and retailers as well. This warm glow may lead to ‘suggestions for improving employee morale, increasing loyalty to the firm, and perhaps even marketing the company as a more attractive investment option’ (Strahilevitz and Myers, 1998: 445). Similarly, Varadarajan and Menon (1988: 60) predict that corporate philanthropy, in the form of cause-related marketing, can enhance a firm’s ‘corporate image, cultivate a favorable attitude in the minds of consumers, and/or realize incremental sales gains’.

Although charity giving is a rather recent phenomenon at the corporate level, there are ample theories across disciplines explaining individual charity behaviour. In economics, the utilitarian human capital theory (Sahlins, 1972; Wilson, 2000) focuses on the rational action and cost–benefit analysis of charity giving and volunteering. Human capital theory holds that individuals decide whether to take part in charity activities based on a rational weighing of its costs/resources (denoted time, money and opportunity costs) and benefits (prestige, respect and self-esteem). As such, some sacrifices and costs are required for behaviour to be named as philanthropy. Human capital theory explains the reason that children commonly inherit their parents’ altruism habits. It is found that children’s involvement in philanthropic activities can be determined by their parents’
philanthropy behaviour, besides their own marital and parental status (Janoski and Wilson, 1995).

In psychology, according to Krebs and Miller (1985), motivation theory rationalises individual philanthropy based on two basic motivations: altruistic motivation (the motive to improve the welfare of the needy) and egoistic motivation (the motive to improve the individual’s own welfare). One may be altruistically motivated for charity involvement, even at the expense of one’s own welfare, similarly to the economic perspective of philanthropy. Individuals with an egoistic motivation, on the other hand, take philanthropy as a means to an end. Such an end may include obtaining rewards, escaping punishments and reducing personal distress (Bendapudi et al., 1996). As such, according to motivation theory, people are motivated to participate in charitable giving by tangible benefits and intangible cognitive and psychological outcomes such as recognition, sense of pride, praise and less personal distress.

Differently from psychologists, many sociologists are sceptical of the importance of motives, drives or impulses to human philanthropy behaviour. Instead, the social norm theory of sociology (Schwartz, 1977) holds that it is the norm for people to help each other in the social community context. Norms are approved, shared and expected perceptions, attitudes and behaviour in the group and community (Fisher and Ackerman, 1998). Norms are important and have strong influences on the group in that they specify sanctions, appropriate practices and the like. As such, individuals who comply with norms receive praise and positive impressions, reinforcing the norms within the group. Individuals who fail to comply with norms expect censure and negative expressions from group members. As predicted by social norm theory, in an empirical study by Reignen (1982), it was found that the longer a fake list of blood donors (a manipulated norm), the greater the donation (philanthropy behaviour). In addition, Bendapudi et al. (1996) found normative and social comparison even more potent in soliciting philanthropy behaviour in the community, when people had less social ambiguity or incomplete information on appropriate conduct. In short, people may help each other in a group and community because helping behaviour is the norm and is expected from everyone in the group due to social comparison, according to the social norm paradigm.

A contingent perspective of philanthropy

Acknowledging that philanthropy may have a direct influence on consumer behaviour, such as ties with the store and patronage loyalty, this study also investigates it from a contingent perspective using the strategy–environment coalignments paradigm (eg Aldrich, 1979; Chandler, 1962). The paradigm suggests that organisational conduct is constrained by the context (eg internal organisational characteristics or external environment). It has two central premises: firms rely on their surrounding environment (eg consumer characteristics and charity cause authenticity) and they can manage this dependency on the environment by fitting their strategies (eg social philanthropy) within it.

For the main effects, this study contends that a store’s strategic philanthropy may enhance its customers’ social ties and lead to patronage loyalty to the store. A store can create stronger social ties with the customers in the community with the aid of corporate philanthropy (Bendapudi et al., 1996; Schwartz, 1977; Wilson, 2000). The ties and network, in turn, may create trust among the firm’s stakeholders and result in a better image of the brand and the firm (Varadarajan and Menon, 1988). Furthermore, when the firm focuses on strategic philanthropy, the internal customers (the
firm’s employees) also may experience higher levels of self-esteem, morale, pride and organisational commitment (Baron, 1995; Hemphill, 1999; Sahlins, 1972; Wilson, 2000). Ultimately, the firm’s relationship with its customers will be strengthened and customers’ behavioural loyalty will be enhanced. This leads to the following hypotheses.

H1: Store strategic philanthropy is associated with customers’ perceived social ties.

H2: Store strategic philanthropy is associated with consumer patronage loyalty.

From a contingent perspective (eg Aldrich, 1979; Chandler, 1962), this paper contends that the influence of strategic philanthropy is moderated by consumer characteristics (gender and ethnicity) and contextual factors (service quality and cause severity). To obtain a competitive advantage, companies (eg Whirlpool, Avon, American Express and IBM) may make charitable investments strategically in communities; however, this may result in heterogeneous outcomes to different customers in different contexts. For example, females may be more empathetic to unfortunate causes and more receptive to philanthropy behaviour in general than males. As such, it is posited that the effect of philanthropy on social ties and loyalty will be stronger for females. In addition, since African and Hispanic ethnic groups are more likely to be the receivers of charity giving, it is contended that the effect of philanthropy on social ties and loyalty will be stronger for African and Hispanic ethnic groups.

H3: The association between philanthropy and social ties and loyalty will be stronger for female consumers.

H4: The association between philanthropy and social ties and loyalty will be stronger for African and Hispanic ethnic consumers.

According to appraisal–emotional, response-coping theory (Bagozzi, 1992; Lazarus, 1991), when consumers have more cognitive service quality evaluation (appraisal), they are more satisfied (emotional response) and, in turn, are more loyal to the service provider (coping). There is ample empirical evidence supporting this theory and the importance of service quality (Anderson et al., 1994; Brady and Robertson, 2001; Parasuraman et al., 1988; Rust and Oliver, 1994). As such, realising the benefits of store philanthropy to customers may require a sufficient level of service quality from the store. In other words, the advantages of strategic philanthropy are more apparent when service quality is not compromised. It is hypothesised that the effect of philanthropy on social ties and loyalty will be stronger when stores provide a high level of service quality. Furthermore, charity giving may not always have the same effect when the severity of the cause involved is different. One may argue that customers value philanthropy more if the donation and giving is offered to the most unfortunate victims. The more severe the cause, the more empathy and love is needed. As such, it is hypothesised that the effect of philanthropy on social ties and loyalty will be stronger for severe causes. A model of the framework is presented in Figure 1.

H5: The association between philanthropy and social ties and loyalty will be stronger when stores provide a high level of service quality as perceived by consumers.

H6: The association between philanthropy and social ties and loyalty will be stronger for severe causes as perceived by consumers.

METHODOLOGY

Sample characteristics and data collection

The sampled subjects of this study were customers of national chain drug stores in the North-eastern USA. As competition in the pharmaceutical industry is very intensive, drug stores offer a wide variety of product lines, ranging from food, drugs, cosmetics, lawn and gardening supplies, to film
processing, just to name a few. For better customer relationship management and stronger social ties with their stakeholders, drug stores may emphasise strategic philanthropy in the community.

Similarly to the mall-intercept interview, trained research assistants solicited customers for participation in the research from various drug stores of two national franchising chains. These assistants approached customers when they were waiting in line or shopping around the store. Among the 195 subjects interviewed, 171 reported complete and usable information for the purposes of this study. In addition, 52 per cent of the customers were female and 48 per cent were male. Most of the subjects (74.6 per cent) were Caucasian, followed by African American (11.2 per cent) and Hispanic American (5.5 per cent).

**Measurements**

Strategic philanthropy was measured by a Likert-type scale with a five-point format (1 = strongly disagree and 5 = strongly agree). Based on previous studies (Joy, 2001; Fisher and Ackerman, 1998; Supphellen and Nelson, 2001; Wooten, 2000; Yavas et al., 1993), this new scale was developed. The measure has three items, assessing the extent to which each drug store consistently engaged in charity activities, donated to the local community to improve its image and reputation and committed to helping local charities in the future.

The social ties variable was measured by a Likert-type scale, anchoring at ‘strongly disagree’ and ‘strongly agree’. Based upon previous social network and ties research (e.g. Rindfleisch and Moorman, 2001; Peng and Luo, 2000), the measure was given three items, reflecting how close customers’ ties were with the store, the strength of the bond between the store and the customer and the availability of close social ties in the future.

To measure customer patronage loyalty, previous scales were adapted into a three-item measure using a five-point, Likert-type scale (Cronin et al., 2000; Parasuraman et al., 1988). Customers were requested to report to what extent they were loyal to the drug store, whether the drug store was their first choice when shopping and whether they would continue to purchase at the drug store in the future.

Service quality was measured using a four-item, Likert-type scale. Consistent with previous measurements of service quality (Brady and Robertson, 2001; Cronin et al., 2000; Dabholkar et al., 2000; Parasuraman et al., 1988; Rust and Oliver, 1994), this scale tried to assess drug stores’ service from different perspectives. Examples of the items include: ‘The drug store’s employees are available and helpful to me’, ‘I feel comfortable asking the pharmacist questions’, ‘I receive personal attention from employees in the drug store’ and ‘The overall service quality is very high’.

Finally, cause severity was assessed using a newly developed, two-item, five-point, Likert-type measurement, which tried to capture the importance of cause severity in allocating store resources to
charity investment. In addition, customers were requested to report their perceptions of the consideration of cause severity in prioritising charity giving.

ANALYSIS AND RESULTS

Before testing the hypotheses, it is important to evaluate the reliability and validity of the measurements. Following the guidelines of Anderson and Gerbing (1988), all measurement models were evaluated with multiple criteria: unidimensionality, reliability, convergent validity and discriminant validity. Evidence of the internal consistency of the constructs was found in this study. As reported in Table 1, all multi-item variables had a reliability alpha greater than the suggested 0.70 level, indicating reasonable scale reliability. In particular, the Cronbach’s alpha was 0.86 for philanthropy, 0.83 for social ties and 0.92 for loyalty. In addition, reliability alphas were 0.90 and 0.77 for cause severity and service quality, respectively.

Confirmatory factor analysis (CFA) was employed to test the measurement model with all multiple-item constructs (strategic philanthropy, social ties, loyalty, cause severity and service quality) in this study. CFA results supported the unidimensionality, convergent and discriminant validity of the five-factor measurement model. Since all items’ loadings on their corresponding construct were significant at $p < 0.05$ (i.e., $t$ ranges from 2.73 to 24.59), it appears that the constructs achieved adequate convergent validity. In addition, unidimensionality was also established in that the modification indices and estimated residuals from CFA analysis were not significant or substantial. The discriminant validity of the measure model was supported because the pairwise correlations in Table 1 ranged from 0.01 to 0.31 and were different from 1.0. Another approach suggested by Anderson and Gerbing (1988) also confirmed the discriminant validity of the constructs by means of examining the parameter estimates, their associated $t$ values and the average variance extracted. Finally, summary model goodness-of-fit (GFI) indexes also supported the validity of this overall measurement model ($\chi^2 = 204.14$; degree of freedom = 80; $p = 0.000$; comparative fit index (CFI) = 0.923; GFI = 0.881; adjusted GFI (AGFI) = 0.862; root mean square error of approximation (RMSEA) = 0.073).

To test for moderated relationships, this study adopted the following process suggested by Sharma et al. (1981). It involved using three regression equations: first, one regressing the dependent variable (DV) on the independent variables (IVs); secondly, one regressing the DV on both the moderators and the IVs; and thirdly, one regressing the DV on the moderators, IVs and the product of the moderators and IVs. In this case, the following three equations were estimated.

Model 1: Social ties (or patronage loyalty) = $\alpha_1 + \beta_{11}$ strategic philanthropy + $e_1$

<table>
<thead>
<tr>
<th>Table 1 Correlations and summary statistics</th>
<th>Mean</th>
<th>s.d.</th>
<th>V1</th>
<th>V2</th>
<th>V3</th>
<th>V4</th>
<th>V5</th>
<th>V6</th>
<th>V7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic philanthropy V1</td>
<td>2.27</td>
<td>1.06</td>
<td>0.86a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Social ties V2</td>
<td>2.26</td>
<td>0.94</td>
<td>0.31b</td>
<td>0.83</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Patronage loyalty V3</td>
<td>2.01</td>
<td>0.85</td>
<td>0.28b</td>
<td>0.30b</td>
<td>0.92</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cause severity V4</td>
<td>2.52</td>
<td>0.93</td>
<td>0.20b</td>
<td>0.20b</td>
<td>0.14b</td>
<td>0.90</td>
<td></td>
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<tr>
<td>Service quality V5</td>
<td>2.27</td>
<td>1.04</td>
<td>0.31b</td>
<td>0.33b</td>
<td>0.24b</td>
<td>0.25b</td>
<td>0.77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Genderc V6</td>
<td>1.51</td>
<td>0.50</td>
<td>-0.05</td>
<td>0.03</td>
<td>0.01</td>
<td>0.03</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethnicityd V7</td>
<td>1.56</td>
<td>1.14</td>
<td>-0.06</td>
<td>0.05</td>
<td>0.18b</td>
<td>-0.15b</td>
<td>0.00</td>
<td>0.01</td>
<td></td>
</tr>
</tbody>
</table>

aEntries in diagonal are reliability alphas.
b$p < 0.05$.
cDummy variable (1 = Male, 2 = Female).
dDummy variable (1 = Caucasians, 2 = African or Hispanic group).
Model 2: Social ties (or patronage loyalty) = $\alpha_2 + \beta_{21}$ strategic philanthropy + $\beta_{22}$
 gender + $\beta_{23}$ ethnicity + $\beta_{24}$
 cause severity + $\beta_{25}$ service quality + $\epsilon_2$

Model 3: Social ties (or patronage loyalty) = $\alpha_3 + \beta_{31}$ strategic philanthropy + $\beta_{32}$
 gender + $\beta_{33}$ ethnicity + $\beta_{34}$
 cause severity + $\beta_{35}$ service quality + $\beta_{36}$ strategic philanthropy *
 ethnicity + $\beta_{38}$ strategic philanthropy * cause severity + $\beta_{39}$ strategic philanthropy * service quality + $\epsilon_3$

According to Sharma et al. (1981), if a moderating effect exists, the coefficients ($\beta_{36}$, $\beta_{37}$, $\beta_{38}$ and $\beta_{39}$) should be significant from zero. In addition, Model 3’s explanatory power should be greater than that of Model 2. If the change of variance explained ($\Delta R^2$) from Model 2 to Model 3 is not significant, Model 2 and Model 1 should be compared to determine whether the moderator has a potential direct effect on the DV.

H$_1$ stated that a store’s perceived strategic philanthropy was positively related to social ties with its customers. Since the coefficients of strategic philanthropy were significant, with or without the moderators and product variables, in determining social ties, as shown in Table 2 ($p < 0.05$), H$_1$ is supported because it was found that, when customers perceive a store to be more involved in charity giving, they tend to have a stronger personal attachment to and social relationship with the store.

H$_2$ is also supported in that the coefficients of strategic philanthropy were significant in determining patronage loyalty ($p < 0.05$), with or without the moderators and product variables. When engaging in strategic philanthropy, stores may recoup benefits through their elevated level of customer patronage loyalty, which is a critical success factor for the long-term relational business in the community (Bagozzi, 1992; Parasuraman et al., 1988; Rust and Oliver, 1994; Varadarajan and Menon, 1988).

The contingent hypotheses testing results were mixed. H$_3$ and H$_4$ postulated that the effect of philanthropy on social ties and loyalty would be found to be stronger for females and for African and Hispanic ethnic groups. The results in Table 2 show that, when the DV was social ties, there was no single product variable with a significant influence. As such, the effect of philanthropy on social ties was not contingent upon the customer’s gender or ethnicity. When the DV was patronage loyalty, however, the product item related to gender was statistically significant ($b = 0.13$). The effect of philanthropy on loyalty was stronger for female customers, partially supporting H$_3$. As a whole, these results do not support H$_4$ and ethnicity was deemed not to be a moderator in the philanthropy model.

H$_5$ and H$_6$ postulated that the effect of philanthropy on social ties and loyalty would be stronger when stores provided a high level of service quality and when the charity cause was more severe. Since only when the DV was patronage loyalty were the product items related to service quality ($b = 0.15$) and to cause severity ($b = 0.13$) statistically significant, H$_5$ and H$_6$ are both partially supported. In summary, it was found that the effect of philanthropy on social ties is not contingent upon service quality and cause severity, but the effect of philanthropy on store patronage loyalty is moderated by store service quality and charity cause severity. This finding supports the conventional wisdom that the advantages of strategic philanthropy more apparently enhance customer loyalty when store service quality is not compromised (Varadarajan and Menon, 1988).
DISCUSSION AND CONCLUSION
From economic and psychological perspectives, charitable giving plays an important role in society; however, the importance and implications of organisational-level charitable giving, or strategic philanthropy, are often overlooked. Corporate strategic philanthropy, in fact, is conceived not only to contribute benefits to charitable causes, but also to improve a firm’s image and financial performance as a competitive advantage source.

According to market strategy theory (Baron, 1995), corporate strategic philanthropy may help the firm to maintain and expand its customer base, to develop stronger social ties with its stakeholders and to promote mutual trust and commitment in the community. In addition, when a firm emphasises strategic philanthropy, the images of the product, brand and/or the firm are enhanced in the local communities receiving the charity. Importantly, strategic philanthropy may result in

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Least-square estimation coefficients</th>
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<tbody>
<tr>
<td><strong>Independent variables</strong></td>
<td><strong>Dependent variable = social ties</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Model 1</strong></td>
</tr>
<tr>
<td></td>
<td>Coefficient</td>
</tr>
<tr>
<td>Strategic philanthropy</td>
<td>0.31</td>
</tr>
<tr>
<td>Gender</td>
<td>0.03</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>0.08</td>
</tr>
<tr>
<td>Cause severity</td>
<td>0.10</td>
</tr>
<tr>
<td>Service quality</td>
<td>0.23</td>
</tr>
<tr>
<td>Strategic philanthropy * gender</td>
<td>0.23</td>
</tr>
<tr>
<td>Strategic philanthropy * ethnicity</td>
<td>0.02</td>
</tr>
<tr>
<td>Strategic philanthropy * cause severity</td>
<td>0.00</td>
</tr>
<tr>
<td>Strategic philanthropy * service quality</td>
<td>0.05</td>
</tr>
<tr>
<td>R&lt;sup&gt;2&lt;/sup&gt;</td>
<td>0.09</td>
</tr>
<tr>
<td>Significance of ΔR&lt;sup&gt;2&lt;/sup&gt;</td>
<td>18.68&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

| | **Values** |
| | (p < 0.05, two-tail tests; *p < 0.05, one-tail tests; mean-centred variables used to minimise the effect of multicollinearity (VIF ranges from 1.04 to 1.20 when dependent variable is social ties and from 1.03 to 1.19 when dependent variable is patronage loyalty, ie less than the critical level of 10.)) |
higher levels of employees’ self-esteem and morale and organisational commitment within the firm itself (Wilson, 2000).

This exploratory study was intended to link strategic philanthropy with consumer behaviour. Drawing on the utilitarian human capital perspective from economics, the social norm theory from sociology and motivation theory from psychology (Sahlins, 1972; Schwartz, 1977), this research developed a contingent framework of strategic philanthropy. The empirical results indicate that, as drug stores put more emphasis on strategic philanthropy as perceived by customers in the community, customers will have stronger social ties with the store and be more loyal to the store. In addition, the results indicate that the impact of strategic philanthropy on patronage intention is moderated by customer gender and context factors (service quality and cause severity).

**Implications of strategic philanthropy**

The findings of this study offer pivotal theoretical and managerial implications. For researchers, there are ample suggestions for future cross-discipline studies using strategic philanthropy. For example, the link between strategic philanthropy and social ties or networks might be examined from a relationship marketing or social exchange theory perspective (Blau, 1964; Morgan and Hunt, 1994; Zucker, 1986). Furthermore, this study was confined to addressing strategic philanthropy from the customer perspective. Using only single informant (customer), perception-based data, this study was limited in that a halo effect may have upwardly biased the results. More research efforts might be fruitful from the organisational perspective. An investigation of the organisational antecedents and firms’ performance consequences of strategic philanthropy is greatly needed to confirm the value of strategic philanthropy. This study was also limited in the sense that the scales used in the analysis were of an exploratory nature. Future research is called for to develop a more comprehensive measure for the important corporate strategic philanthropy construct.

Interestingly, only mixed support for the contingent hypotheses was found, although the main effects of strategic philanthropy were consistently supported. The effect of philanthropy on social ties was not contingent upon the customers’ gender, ethnicity, store service quality or cause severity. This seems to show that when customers perceive stores to be more involved in charity giving, they definitely tend to have a stronger personal attachment to and social relationship with the stores, regardless of their gender or ethnic group, their perceptions of the service quality or severity of the causes. But the advantages of philanthropy to promote customer loyalty are more apparent for female customers when store service quality is not compromised and when stores donate to more severe causes for charitable purposes. Future research is needed to investigate this contingent perspective of strategic philanthropy.

For managers, strategic philanthropy may be one of the important tools through which a firm may obtain a competitive advantage. Industry leaders such as Avon and American Express already show the relevance of charitable giving and cause-related marketing. Just as American Express was successful in sponsoring the cause-related marketing campaigns intended to promote both the company and the cause and social issues of the restoration of The Statue of Liberty in the 1980s, Discover Financial Services, Inc. led an advertising campaign to promote a credit card and America’s relief efforts for the 9/11 tragedy victims. Management should notice that not only will the charity receivers and local communities benefit from charitable investment, but also the firm itself will
benefit ultimately because, as this study found, customers are more loyal to those organisations emphasising strategic philanthropy. Finally, managers may find that charitable investment helps customer relationship management, strengthens social ties and adds more value to the firm in the market, even in international and global markets.

REFERENCES


