The Relationship Between CSR Activity and Sales Growth in the UK Retailing Sector

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Abstract:

Purpose

The study examined the relationship between corporate social responsibility (CSR) and sales revenue of two retail companies (Marks & Spencer and Tesco) in the UK to understand how CSR activities can influence retail sales growth. Prior studies have used different theoretical and methodological approaches to report the relationships between CSR and financial performance generally as positive, negative, mixed or neutral, and these are yet to be conclusive.

Design/methodology/approach

Clarifying the existing inconclusive results, we deduced donations, community work and environmental responsibility CSR activities from the literature and mapped them out onto sales revenue to formulate conceptual propositions. We extracted the corresponding data from the companies' websites and financial reports, focusing on their 2006-2014 CSR and sales activities, and statistically analysed the longitudinal data with Pearson correlation coefficient.

Findings

The findings revealed positive correlations between donations and sales revenue for the two companies, which suggest that retailers' philanthropic activities can boost sales levels overtime. Whereas the findings on the community work and the environmental-friendly activities relate either positively or negatively to sales revenue for the companies.

Originality

The outcomes support the extant findings that donations can improve retail sales performance while community work and the environmental-friendly activities do not necessarily improve sales growth in the retail sector but suggest that retailers can exploit more of the ones that benefit their sales revenue levels. Theoretically, the study supports the stakeholder theory's influence on firms' obligation to charitable cause, community investment and environmental-friendly responsibility as CSR activities that make retailers morally responsible to their customers and society in general whereas the sustainable development model was instrumental in retailers' CSR activities relating to environmental protection.

Key words: Corporate social responsibility; sales revenue; donations; community work; environmental responsibility; Marks & Spencer; Tesco

1 Introduction

It is argued that firms can wittingly use their activities on corporate social responsibility (CSR), which describes their moral obligations to improve the welfare of society as part of their business operations, to enhance financial performance (Statman and Glushkov, 2009; Peters and Mullen, 2009; Samy, Odemilin and Bampton, 2010). This is indicated by a plethora of research studies that explore the relationships between firms' CSR strategies and their financial performances, which are usually measured by accounting based tools such as profitability and investors' contributions (Orlitzky, Schmidt and Rynes, 2003; Rodgers, Choy and Guiral, 2013). But, it is not yet clear which kind of CSR activities can improve financial performance, and there is no agreed consensus of the exact relationship between CSR and financial performance among researchers (Brammer and Pavelin, 2006; Peters and Mullen, 2009; Rodgers *et al.*, 2013).

While some studies indicate that CSR strategies generate profit and higher returns on investments (Hellsten and Mallin, 2006; Brammer and Pavelin 2006; Statman and Glushkov, 2009; Torugsa, O'Donohue, and Hecker, 2012) others show the negative impact on financial performance (Inoue, Kent, and Lee, 2011; Hirigoyen and Rehm, 2015), whereas another group of studies illustrate the mixed or neutral impact (McWilliams and Siegel, 2000; Margolis and Walsh, 2003; Bauer, Derwall and Otten, 2007). The variations in findings can be blamed on the multiplicity of the financial performance indicators used within different accounting and economic frameworks for measuring the CSR impact (Margolis and Walsh, 2003; Rodgers et al., 2013). Often, the over studied CSR and financial performance topic is dominated by the use of varying profitability, economic asset and returns on capital indicators to complicate the inconsistent findings (Margolis and Walsh, 2003; Adeneye and Ahmed, 2015).

However, the significance of sales growth, as a source income earned through firms' operational activities, and as a direct and an interesting performance indicator for suppliers and managers (Ullmann, 1985; Ameer and Othman, 2012; Khan and Hassan, 2013) is, therefore, narrowly examined or often overlooked. This omission endangers the prospects of using CSR and sales revenue specific studies to show how good or bad firms' reputation could attract or dispel customers (Mohr, Webb and Harris, 2001; Saeidi et al., 2015). This is because, we know from Mori's (2000) survey that, about 70% of consumers consider the ethical reputation of a company when buying a service or product, with others (Bhattacharya and Sen, 2004; Tian, Wang, and Yang, 2011) analysing the impact of CSR on consumers' perception.

As the extensive debate on CSR lingers on and, retail companies adopting different strategies to satisfy the diverse stakeholders, individuals or entities who have specific interest in the companies' activities (McWilliams, Siegel and Wright, 2006), retailers' CSR reporting has focused on generosity and, the environment and community in which they operate (Jones, Temperley and Lima, 2009). Retailers are now keen to disclose their CSR reports to customers and demonstrate their commitment to fair trade and consumer concerns (Maignan and Ferrell, 2003; Jones et al., 2009; Perry and Towers, 2009), a transparency endorsed by the UK Department of Trade and Industry in 2004. Yet, research rarely shows the relationships between CSR activities and sales growth specifically to provide conclusive findings of customers' effect on firms' CSR strategies (Mohr and Webb, 2005; Loureiro, Sardinha and Reijnders, 2012), except for a few studies that consider sales revenue broadly with other financial indicators (McGuire, Sundgren and Schneeweis, 1988; Ameer and Othman, 2012, Khan and Hassan, 2013).

In this article, we examine the relationship between CSR and sales revenue of two retail companies in the UK to understand how CSR activities can influence retail sales growth. The rest of the paper is structured as follows: First, we provide theoretical and empirical perspectives on CSR and financial (sales) performance to understand the existing causations between the two variables. Second, we draw on the discourse from the literature to formulate propositions that link CSR strategies (donations, community work and environmental responsibility) and sales revenue. Third, we apply quantitative approaches to analyse secondary data from selected two UK retail companies and explain the relationship between their CSR activities and sales growth. We finally conclude with theoretical understanding of how CSR activities influence retail sales growth in the UK and practical implications for managers who use CSR strategies to attract customers.

2 Literature Review

2.1 Theoretical perspectives

Many aspiring theories have underpinned the relationship between CSR and financial performance but not a single one has consistently supported or refused the causality between these two variables (Deegan, 2002; Adams, 2002; Margolis and Walsh, 2003; Visser, 2011). For instance, legitimacy theorists have insisted that corporations should be obliged to act according to the norms and values of the society (Islam and Deegan, 2010; Bhattacharyya, 2014; Nurhayati et al. 2016). They require the value systems of organisations to be designed and implemented to meet social expectations (Bhattacharyya, 2014; Nurhayati et al. 2016). The legitimacy theory has unfolded corporations' motivation for voluntary environmental disclosures and demonstrated firms' commitment to reducing carbon emissions and improving eco-friendly society (Deegan, 2002; Islam and Deegan, 2010) which has implications for improving their financial performance. Its voluntary appropriation has, however, led to criticisms that the legitimacy theory only provides understanding of managerial actions but fails to specify what exactly is needed to be done (Suchman, 1995; Mobus, 2005).

Advocates of the stakeholder theory suggest that apart from making money for the shareholders, firms should consider the needs of other interest groups such as employees, managers, customers, suppliers, government, communities and even competitors, depending on their influence, experience and legitimate claims in the operating business environment (Freeman, 1984; Samy et al., 2010). The stakeholder theory therefore expands the agency theory postulates that the managers should be empowered to prioritise maximum financial returns for owners who invest their money in firms because it aims to satisfy the expectations of all those who have interest in a business (McWilliams et al., 2006).

The varying expectations of stakeholders have influenced firms to develop CSR strategies that seek to support charitable organisations (Brammer and Millington, 2005; Maas and Liket, 2011), promote community development (Robins, 2005; Chiara and Spena, 2011) and reduce environmental concerns (Ameer and Othman, 2012; Flammer, 2015). By fulfilling the needs of the stakeholders, firms are expected to improve their financial performance through the reciprocal returns from, or economic exchanges with, the individual stakeholders whose interest might have been satisfied (Samy et al., 2010; Godfrey, 2005; Maas and Liket, 2011; Chiara and Spena, 2011). For instance, customers who buy a firm's products can rate the quality of the products high to attract many potential buyers which would eventually increase the firm's sales growth. By assuming that all stakeholders' interests should be satisfied, the stakeholder theory may struggle to address the conflicting needs of different stakeholder groups whose changing interests may differ from the normative strategies of businesses (Key, 1999; Stieb, 2009).

Notwithstanding, emerging CSR models have taken inspirations from the stakeholder theory to explain how firms can develop and maintain economic activities without compromising the continuing development of future generations (Carroll, 1991; Aras and Crowther, 2009; Samy et al., 2010). This approach to improving firms' performance has been the focal point of the sustainable development model that invokes businesses to adopt strategies that aim to protect the environment, develop cultural values and promote human rights and social justice (Aras and Crowther, 2009). In a way, it supports the concept of corporate citizenship in which firms are encouraged to behave responsibly and commit to shared community values that are socially sustainable for business and its interest groups (Matten and Crane, 2005, Robins, 2005). Regardless of the theoretical orientations, many empirical studies on CSR and financial performance relationships show either positive, negative, mixed or even intricate results, creating confusion for companies which intend to orientate their CSR strategies towards financial performance (Brammer and Pavelin, 2006; Peters and Mullen, 2009; Rodgers *et al.,* 2013).

2.2 Positive, negative, mixed and intricate links between CSR and financial performance

Research investigations showing positive relationships between CSR and financial performance do not draw on one theory though stakeholder principles have underpinned many recent studies that have explored secondary data to demonstrate the causality (Flammer, 2013; Gatsi and Ameyibor, 2016). Flammer (2013), for example, observed the US stock market reactions to the publicly traded firms' environmental activities between 1980 and 2009 by reviewing 273 articles published in the Wall Street Journals. Through regression analysis, Flammer found that stock market reacted positively to the announcements of eco-friendly activities. Similarly, Gatsi and Ameyibor (2016) combined stakeholder theory with stewardship theory, the theory that prompts managers to act responsibly towards stakeholders' assets they control, and used descriptive statistics, correlation metrics and regression analysis to find positive links between CSR disclosures and working capital of selected 43 UK companies between 2005-2012.

Others have adopted the shareholder value theory, which focuses on maximising the interests of companies' investors, to examine the link between CSR and financial performance (Mujahid and Abdullah, 2014; Geetika, Akansha and Tanu, 2017; Ahmed, Abdullah and Ahmed, 2017). Mujahid and Abdullah (2014) analysed the return on equity, return on assets, and earning per share data from the 2011 annual reports of 10 firms with high CSR disclosures and 10 firms with no CSR in Pakistan, and concluded a positive relationship between the firms' CSR and financial performance. This is consistent with Geetika, Akansha and Tanu's (2017) investigation on the positive links between foreign institutional investment and CSR of Indian firms operating in the energy sector from 2010 to 2015 where CSR expenditure and disclosures were measured against profit after tax, return on assets, return on equity and market capitalisation of the firms.

Some have widened the theoretical and methodological scope to measure the effect of corporate responsibility and disclosures on business reputation, society and stakeholder satisfaction generally and still witnessed positive correlations (Nelling and Webb, 2009; Gatsi and Ameyibor, 2016). Maas and Liket (2011), for example, applied legitimacy tenets and the institutional theory, which explains the way organisations are structured and shaped by context, processes, rules and norms, to a longitudinal cross-sectional study of 500 companies listed on Dow Jones Sustainability Index and revealed that between 62% and 76% firms measured the impact of donations on stakeholders, society and business as positive. This surprising outcome from their study supports the popularity of stakeholder theory application in practice.

Studies reporting the negative correlation between CSR and firms' financial health have not only had their fair share of stakeholder doctrines and the dependence on secondary data for drawing conclusions, but also covered wider geographical areas (Inoue et al., 2011; Khan and Hassan, 2013; Hirigoyen and Rehm, 2015) to confirm a more populist sympathy for secondary data methods application. Hirigoyen and Rehm's (2015) work, using the stakeholder theory and secondary data from 329 companies, selected from USA, Asia Pacific and Europe from 2009 to 2010 is a good example. They examined the causal effect of multi-dimensional aspects of CSR on return on equity, return on assets and market to book value of the companies' assets to conclude the negative relationship between CSR and financial performance. However, researchers seldom use return on sales or sales income to measure the impact of CSR strategies. Exception could be made of a few studies that have shown the negative relationship between CSR and return on sales (Aras, Aybars and Kutlu, 2010) or revenue (Khan and Hassan, 2013).

Some studies have reported mixed and inconsistent findings of the associations between CSR and financial performance (Margolis and Walsh, 2003; Adeneye and Ahmed, 2015) or even neutral effect (McWilliams and Siegel, 2000). Adeneye and Ahmed (2015), for instance, examined the influence of CSR on market to book value of assets, return on capital employed and company size of 500 UK companies and observed that CRS related negatively with the size of the firms but positively with the market to book value of assets and return on capital employed. It turns more complicated with findings that resemble inverted U-shape curve, a non-linear relationship that confirms the complexity involved in measuring the connection between CSR and financial performance (Bowman and Haire, 1975; Moore, 2001; Tian *et al.*, 2011; Barnett and Salomon, 2012). To decrease the levels of complexity, Moore (2001) suggested the application of non-linear models to compensate the shortcomings of the positive and negative impacts from theories which described only linear positive or negative relationships. But, aggregating the results would not necessarily mean that they would improve firms' CSR strategy or stakeholders' confidence in firms reporting such findings.

The general theoretical insights from the literature show that CSR creates value for businesses through the reputation that it builds for the stakeholders (Preston and O'banon, 1997; Maas and Liket, 2011) and the attention it draws from customers (McWilliams and Siegel, 2000). This gives firms a reason to celebrate when CSR strategies impact positively on firms' financial performances (Liston-Heyes and Ceton, 2009; Samy et al., 2010). Yet, this is not always the case because empirical evidence depicts some negative, mixed, neutral and intricate findings leading to the consensus that associations between CSR and financial performance are indecisive. One line of inquiry even suggests that firms with low corporate social representation have better financial performance than those with moderate social responsibility image (Barnett and Salomon, 2012). This is so, because the conclusions are based on the varied theoretical orientations of the CSR concept, the diverse measuring instruments used and the multiplicity of financial indicators used for analysing the CSR and financial performance relationships (Taneja, Taneja, and Gupta, 2011; Blowfield and Murray, 2011; Galant and Cadez, 2017). Still, the acceptance of these complex causation mechanisms has yet to pay similar attention to the causality between CSR and sales indicator, an underexplored phenomenon which has relevance for firms' market share and improved profitability positions.

3 Conceptual Propositions

Following a deductive approach (Saunders, Lewis and Thornhill, 2012), we make logical inferences from the literature and formulate propositions that illustrate the links between CSR and sales revenue. Underneath the ethical reasons for embracing CSR principles, there is a strong argument that firms use CSR activities to enhance business image, attract customers and improve financial performance. Though, the variables for measuring firms' social responsibilities are varied and different from one organisation to another (Blowfield and Murray, 2011; Galant and Cadez, 2017), research has consistently used donations (Maas and Liket, 2011; Mohr and Webb, 2005), community work and environment-friendly schemes (Ameer and Othman, 2012; Flammer, 2013) as the main categorisation of CRS dimensions that can increase firms' reputation for customers and financial performance.

Indeed, CSR strategies have implications for consumer perception, buying behavior and sales revenue (Bhattacharya and Sen, 2004; Tian *et al.*, 2011) and prompted the argument that specific CSR attributes should be invoked to make the invisible benefits of firms' social responsibilities more explicit (McWilliams and Siegel, 2000). Drawing on the insights from the literature, we propose that retail firms' donations, community work and environmental responsibility activities can lead to sales growth:

Proposition 1: Donations and sales revenue

The economic gains of corporate philanthropy have already been witnessed as the payoff implications of CSR in some studies (Brammer and Millington, 2005; Maas and Liket, 2011). These ratify the findings that, donations could enhance corporate image and firms' competitiveness (Porter and Kramer, 2002; Godfrey, 2005). These also support the claim that, donations have been a traditional CSR strategy that relates to financial performance measures (Tian *et al.*, 2011; Inoue *et al.*, 2011) and improves customer loyalty and sales revenue (Ameer and Othman, 2012, Mohr and Webb, 2005). We, therefore, propose that retailers' philanthropic activities have positive relationships with their sales growth.

Proposition 2: Community work and sales revenue

Community work has already seen its positive relations with firms' financial performance as companies become an integral part of communities and base their corporate strategies on community welfare such as sponsoring the local sport teams, engaging staff in raising funds for charities, initiating health awareness and promoting educational programmes for the local communities (Peters and Mullen, 2009; Ameer and Othman, 2012). We have also noted that retailers are keen to disclose their CSR reports to customers and demonstrate their commitment to fair trade, community and consumer concerns in order to improve sales (Maignan and

Ferrell, 2003; Perry and Towers, 2009). These provide a rationale for us to propose that retailers' involvement in community work has positive relationships with their sales growth.

Proposition 3: Environmental responsibility and sales revenue

Many studies suggest that firms' environmental responsibility correlates with their financial performance (Orlitzky *et al.,* 2003; Montabon *et al.,* 2007; Neville 2008; Siegel, 2009; Ameer and Othman, 2012; Flammer, 2015) though some researchers argue that corporate environmental sustainability programmes can incur more costs than benefits (Hirigoyen and Rehm, 2015). Many have observed that low carbon emission strategies can results in good economic performance (Montabon *et al.,* 2007; Neville 2008; Siegel, 2009; Ameer and Othman, 2012). Hence, we propose that the intensification of retailers' environmental-friendly responsibilities has positive relationships with their sales growth.

4 Methodology

We adopted a positivist approach, which focuses on cause-effect relationships and seeks to formulate rules for generalising findings (Visser, 2008), to examine the association between the three CSR indicators and sales revenue of two retail companies, Mark and Spencer (M & S) and Tesco in the UK, as part of our large scale investigation, using secondary data. These companies were selected for their well-known dedication to CSR activities in the retail sector (Jones, Comfort and Hillier, 2005; Samy et al., 2010). Recent research applying positivist methodology to study the link between CSR and sales revenue has gravitated towards quantifying customer perception of CSR (Luo and Zheng, 2013; Cheung et al., 2015) to augment the customary reliance on existing company data as a mono quantitative instrument for measuring the relationships. We curated secondary data on CSR and sales revenue from the companies' websites and annual reports and analysed them to test the hypotheses, and the findings were discussed in the larger retailing context.

4.1 Background Discussions of the selected UK retailers

M & S

M & S is a British multinational retailer headquartered in London and specializes in selling home products, luxury clothing and accessories and food products. It has almost 800 stores in the UK serving its 32 million customers, as documented in the company's 2017 Annual Report. The retailer is well-known for its CSR reputation and a sustainable development program designed to address social, ethical and environmental challenges. In January 2006, the company launched an addictive free and preservative food products campaign as a response to the customers' increasing request for CSR information and convinced the customers that, the company had low salty food, banned genetically modified foods, removed additives and sold responsible-sourced fish products.

In January 2008, the company's invited customers who would spend £35 or more on M & S' items to take their 'unwanted' or second-hand clothes to their local Oxfam stores and receive a £5 M & S discount voucher in return for spending on the M & S' products. According to the company's 2009 annual report, their CSR strategy led to over 875,000 customers donating 3.2 million 'unwanted' garments to their local Oxfam stores and saving 1,500 tonnes of clothing disposals in landfills. The strategy also supported Oxfam to mobilise £1.9 million with potential savings of over £4.4million for the retailer's customers. The retailer increased its charitable donations in 2009, 2012 and 2014 to support local community work, cancer relief projects, school work experience initiatives, children foundations and other philanthropic activities.

Tesco

Tesco is the Britain's biggest retailer which started grocery retailing in 1919, with 27.6% market share. Its product lines include food, groceries, electricals and clothing items. The retailer gives 1% of their pre-tax profit to charities that help people affected by dementia, provide mobility equipment for disabled young people, support research into cancer and cystic fibrosis (lungs and pancreas genetic disorders), improve the wellbeing of people who are terminally, advocate the rights of people over 50 years and care for those in need generally. For example, the Tesco donated £50 million of its 2014 pre-tax profits to charities to support causes. Like M & S, Tesco has committed to community building initiatives and responded positively to its customers' call to see that the retailer is acting fairly and responsibly to improve its local neighbours, as reported in the company's CSR report in 2007. Demonstrating a real community impact, Tesco provided about £118 million worth of computer equipment to over 30,000 schools in UK between 1992 and 2007, making it the UK's longest running community support programme for schools.

Review of Tesco's annual reports also indicate that the retailer has been investing huge sums of money to reduce direct carbon emissions from its supply chain operations through the use of biogas energy delivery vehicles, optimisation of voltage devices, fuller truck and container consignments for fewer miles, increasing use of rail trailers for distribution. The carbon emission reduction strategy accounts for £290 million yearly energy and fuel cost-saving for the retailer. According to the company's 2006 report, a £20 million investment in energy saving schemes reduces 58,000 tonnes of carbon emissions per year.

Tesco introduced 525 carbon-labelled products in 2008 and allowed customers to make greener choices on the retailer's shopping items, with 59% of its UK customers buying at least one carbon-labelled product. These environment-friendly products account for £1.3 billion of sales per annum. Tesco invested £10million in green Club card points to incentivise green behaviour and allow customers who recycle aluminium cans at the retailer's automated recycling machines to get discount on their shopping. In 2010, Tesco launched a Home Efficiency Service in the UK to offer its customers solar energy products and insulation information relating to government's energy reduction funding and planning which was intended to help its customers save about 400,000 tonnes of carbon emissions. Tesco's commitment to carbon emission reporting and reduction led to their recognition as the top retailer in the Carbon Disclosure Project globally and the top UK FTSE 350 company in 2011.

4.2 Data extraction, findings and analysis

We extracted M & S' and Tesco's CSR expenditure data on donations, community work and environment over a nine-year time span from the companies' annual reports and compared the figures with the companies' sales revenue within the same period, as shown in Table 1.

Insert Table 1 here

We employed the Pearson correlation coefficient from Microsoft Excel to analyse the directions and the strengths of linear relationships between the three CSR variables and sales revenue of the two companies. We consider the correlation coefficient (r) as large, medium or small when the effect size is r = +/- 0.5, r = +/- 0.3 or r = +/- 0.1 respectively (Adeney and Ahmed, 2015).

The rationale for analysing the longitudinal data is to establish the companies' long-term commitments to CSR and the impact on their sales performance as opposed to relying on year-to-year short-term fluctuations between CSR and financial performance indicators. Examining the overtime effects of social responsibility strategies on sales revenue allowed us the opportunity to compare the findings from this study with previous studies that examined the link between CSR and sales performance. Whereas the selection of the two companies is necessary for us to relate the findings to the M&S' historical progress and projections on CSR which seem to attract customers' loyalty (*see* Jahdi and Acikdilli, 2009) and to Tesco's social responsibility strategies which appear to have been compromised by the recent horse meat scandals (Tench and Topic, 2017).

M & S

Though there are fluctuations in the company's individual CSR strategies between 2006 and 2014, M & S witnessed a consistent increase in sales revenue during the period, except a minor downturn of £144.8 million from the £8,309.10 million sales revenue figure in 2008 to the £8,164.30 million figure in 2009, as shown in Table 1. We could argue that, M & S' success is anchored in its customer-focused and eco-ethical sustainability plans. In its 2015 CSR report, Marc Bolland, the Chief Executive Officer described the M&S' charitable donations, community work and environment-friendly initiatives as socially remarkable strategies that had led them to winning 220 sustainability awards. He celebrated this as:

> "*M&S people and customers have always helped in their local community, by working together, we know we can achieve even more by volunteering or making a donation to the charity that matters locally. We know the positive impact it can have and that healthy street needs a healthy community to support it." (M&S Media Release, 29th July, 2015).*

However, our analysis of longitudinal secondary data (Table 2) shows that M & S' corporate environmental responsibility does not have positive effect on sales revenue. The findings from the Pearson correlation coefficient analysis reveal a positive and strong relationship [r = 0.79] between M & S's donation and sales revenue as well as showing a positive and moderate [r = 0.53] association between community work and sales revenue. The relationship between the company's environmental responsibility and sales revenue is negative and small [r = - 0.26].

Insert Table 2 here

Tesco

Except a minor dip in Tesco's sales revenue from £35,580 million in 2007 to £34,858 million in 2008, the company saw a steady increase in sales between 2006 and 2014, even in the period where spending on donations and environmental responsibility management were falling. As seen in Table 1, for instance, a decrease in donations from £74.5 million in 2011 to £50 million in 2013 and a fall in environmental responsibility spending from 6.37 million tonnes in 2013 to 5.60 million tonnes in 2014 did not show a discernable fall in sales. Whereas the horse meat scandal that hit Tesco's reputation in 2013, and led them to apologise to their customers for selling contaminated beef burgers with horsemeat, did not reflect negatively on the company's annual sales in 2013/2014.

However, the statistical analysis of the nine-year data, based on the Pearson correlation coefficient (Table 3), shows a positive and slightly moderate association between Tesco's donation spending and their sales revenue [r = 0.39] whereas environmental responsibility strategies relate positively and heftily with sales revenue [r = 0.81]. The relationship between community work and sales is negative and weak [r = -0.31].

Insert Table 3 here

Discussions

This article applied quantitative techniques to examine the relationship between CSR and sales revenue of two retail companies in the UK and draw on the findings to understand the impact of CSR activities on retail sales growth. Our findings show that donations have medium to large positive correlations with sales growth and supports our initial proposition that, retailers' philanthropic activities have positive relationships with their sales growth. These corroborate the existing discourse on the positive relationship between firms' donations and their sales (financial) performance. The findings also show that community work and environmental-friendly strategies relate either positively or negatively to sales revenue. These are inconsistent with our propositions that retailers' involvement in community work or their intensification of environmental-friendly responsibilities has positive relationships with their sales growth though the findings compare with similar research in the field that report mixed relationships between firms' CSR activities and financial performance. The nuances of these are further explored to align with the three CSR dimensions and their relationships with sales growth as follows:

First, the positive relationships between both M & S' and Tesco's donations and sales revenue over time suggests that retailers with similar operational characteristics can pursue philanthropic strategies to register their reputation with customers and use such generous activities to persuade customers to buy their products (Mohr et al., 2001; Saeidi et al., 2015). It supports the existing assertion that retail firms use donations as corporate strategies to increase stakeholders' confidence in their operational activities (Maas & Liket, 2011) and to build up customers' loyalty towards their sales (Porter and Kramer, 2002). However, it would be naïve to assume that philanthropic activity is the only factor that can determine increasing sales in the retail sector and, therefore, can increase sales growth from just two case studies.

There is no doubt that in a competitive UK retail market, there are many non-CSR activities such aggressive advertisement, sales promotion, price levels, special occasions/events, media reports, macro-economic policies and regulations that affect sales growth (Mohr and Webb, 2005; Guenzi and Troilo, 2007; Samy et al., 2010; Harjoto and Jo, 2011). So, what is important here is to appreciate the fact that, retail companies have responsibilities towards the communities within which they operate, and their stakeholders expect them to act in a manner acceptable to the society. Though retailers' sales growth and survival in the market can benefit from the way the companies commit their CSR strategies to the communities within which they serve (Peters and Mullen, 2009).

Second, the findings on the community work and sales revenue relationship are mixed, illustrating negative coefficient on the M & S results and positive coefficient on Tesco's, to corroborate single studies where outcomes on CSR and financial performance are simultaneously positive and negative for various cases within the studies (*see* Margolis and Walsh, 2003). Taking community work (investment) as one of the CSR strategies that encourages sales performance (Ameer and Othman, 2012), the findings from this longitudinal data analysis prompts retail companies to examine the negative long-term impact of their community work on customers' loyalty and buying behaviour, and introduce new community-focused initiatives that meet social expectations and build trust with their customers. One way of achieving this is to incorporate the stakeholder principles into their broader business strategies and consider the moral reasoning of helping others as an expectation norm that can set them apart from their competitors.

Third, we know that retailers make a considerable effort to restrict negative impact of their operational activities on the environment and pursue low carbon footprint strategies that help them gain customers' goodwill and increased sales margins (Mohr and Webb, 2005; Ameer and Othman, 2012). However, such relationship is not always consistent. While the outcomes of this study show that retailers' environmental-friendly activities can have a large positive relationship with sales, such as the case of Tesco's carbon emission strategies, the same is not the case of the M & S' environmental-friendly strategies, which relate negatively with sales growth over time. These mixed findings mirror the observations of previous studies that report inconclusive results on firms' CSR activities and financial performance (Peters and Mullen, 2009; Rodgers et al., 2013). This may be understood because the extensive research on the relationship between CSR and financial performance applied different theoretical frameworks and accounting principles, with diverse philosophical approaches (Margolis and Walsh, 2003; Samy et al., 2010; Adeneye and Ahmed, 2015).

Aside from the methodological differences that limit an effective comparison of different research on CSR and financial performance, the geographical spread of the contemporary UK retail operations itself poses risks to the environment. The retailers manufacture, outsource and distribute their products across spatial locations. In doing so, they incidentally cause ecological concerns that require responsible actions from them (retailers) to ensure that their operations are ethically and environmentally safe for consumption. This has significance for stakeholder and sustainable development theories, which inspire retailers to pair their activities with sound and transparent environmental practices as a way of building mutual trust with customers and making them more competitive (McWilliams et al., 2006; Aras and Crowther, 2009; Samy et al., 2010).

We have seen this type of useful CSR activities from Tesco's environmental-friendly strategies which correlated strongly with their long-term sales growth despite being hit by the horse meat scandal in 2013/2014 financial year. However, there could be a policy caveat that, retailers whose environmental responsibilities do not relate positively with sales growth might not be very responsive to voluntary policies towards environmental-friendly actions. This is because doing so would not necessarily make them less competitive. This opens an avenue for future research to investigate how retailers can effectively use carbon emission reduction activities for competitive advantage.

Conclusions and implications

Prior research had narrowly engaged with the links between specific CSR activities and sales growth, leaving the avenue for us to examine the relationship between CSR and sales revenue of M & S and Tesco and understand how CSR activities can influence retail sales growth. While acknowledging the limited sample cases for wider generalisability, this work provides valuable insights into the relationship between CSR activities and sales growth in the UK retail industry. Theoretically, the study confirms the debate that donations can increase retailers' customer base and retention of customers, and improve companies' success. It supports our proposition that retailers' philanthropic activities have positive relationships with sales growth, and improve our understanding that sale growth may improve with increasing charitable activities. This may make retailers more philanthropically responsible (Mohr and Webb, 2005). The theoretical and methodological review of the literature provided a deeper insight into the relationships CSR and financial performance and allowed us to conceptualise the links between the three dimensions of CSR activities – donations, community work and environmental responsibility, and sales revenue. We found the stakeholder theory as a dominant theoretical tenet in the field of CSR that influence firms' obligation to charitable course, community investment and environmental-friendly responsibility and encourage them to demonstrate their moral responsibility to the customers, the needy and society in general (McWilliams et al., 2006; Samy et al., 2010). Whereas, the sustainable development model has been instrumental in retailers' CSR activities relating to environmental concerns and protection (Aras and Crowther, 2009).

For retail managers, there is an indication to use philanthropic activities to attract customers, gain their loyalty, retain them and potentially increase sales growth. Retailers exhibiting features of M & S can commit to community investment to support their sales revenue initiatives over time whereas those showing features of Tesco can use more environmental-friendly strategies to demonstrate their endorsement of carbon emissions reduction that can convince customers to buy their products. These imply that retail managers can focus on CSR activities that create positive relationships with sales growth and maintain the trust of their stakeholders and customers to improve sales performance and business success. However, the growing competition in the retail landscape suggests that retailers should continue innovating their CSR strategies, keeping in mind their moral responsibility to society and the changing needs of their consumers that can set them apart from their competitors.

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