

# *Impacts of Corporate Social Responsibility Activities on Business Performance—A Case Study of ERKE*

**Jiayi Luo**

*Business Administration, Shanghai University of Electric Power, Shanghai, China  
Luojiayi@mail.shiep.edu.cn*

**Keywords:** Corporate social responsibility; business performance; ERKE; brand image; consumer response

**Abstract:** In the summer of 2021, a catastrophic flooding hit Zhengzhou, Henan. On July 21 that year, ERKE, despite its worsening business conditions, donated 50-million-yuan relief supplies, which sparked heated discussions among the public and a trend of supporting such patriotic enterprises with emotional spending. By studying the donation of ERKE to Henan in 2021, this paper explores the impacts of corporate social responsibility (herein after referred to as "CSR") activities on the business performance of companies. The author, using comparative analysis, finds that although ERKE was stuck in a tough financial situation, the generous donation it made greatly improved its brand awareness and sales revenue. However, such effects wore off as time passed and other companies adopted similar actions. This research highlights the effectiveness of CSR in building brand images and promoting sales revenue. Meanwhile, it unveils the mixed public opinions on the motivations behind CSR activities and the uncertainty of the correlation between it and long-term business performance.

## **1. Introduction**

In the global business environment, CSR has already become a significant part of companies' strategic planning. CSR activities not only demonstrate the commitment of companies to social welfare, but also play a key role in enhancing their competitiveness and performance. The increasing consumer awareness and fierce market competition have forced companies to concern more about building a positive social image and developing sustainability rather than simply seeking higher profits. Nevertheless, the correlation between CSR and business performance is complicated and changeable, and different CSR activities might have different impacts on business performance.

On July 21, 2021, ERKE announced on Weibo, a Chinese social media platform, that it would donate disaster relief supplies of 50 million yuan to areas severely damaged by the flood in Henan. The announcement went viral on the Internet, grabbing public attention and sparking heated discussions, which significantly increased the brand awareness of ERKE within a very short time. Statistics show that from July 21 to 23, the sales of ERKE surged 52 times of its original level. Such exceptional growth reflected the passionate response from consumers and started a trend of "wild consumption". Through the in-depth analysis of ERKE's CSR activities and related performance

statistics, this research aims to reveal the real impacts of CSR activities on business performance, thus providing feasible CSR strategy references for other enterprises.

## 2. Literature Review

The concept of CSR has been evolving over the past decades, developing from charitable actions in the beginning to strategic actions today. The scope of CSR has been extended, embodying environmental protection, social good, and environmental, social, and corporate governance (hereinafter referred to as "ESG"). "Doing Good" can be said as the core of CSR, while ESG concentrates more on "Doing Well and Doing Good" [1]. This research mainly discusses the scope of CSR from the perspectives of ethics and philanthropy. Discussions on ESG will not be included.

In previous studies on the relationship between CSR and business performance, scholars hold different opinions. Some studies show that good CSR practices of the external business partners of major companies help improve the short-term business performance, and the long-term performance of mature companies can be promoted by assuming public responsibilities. But the impacts of CSR activities on business performance varies in different scenarios [2]. Some scholars use threshold model and believe that there's a threshold value for companies to perform social responsibilities. When the company falls below that value, performing social responsibilities will increase the company value. When it surpasses that threshold value, the cost increased will offset the brand spillover effect, thus lowering the company value. But with more and more evidence appears, it shows that there's a significant positive correlation between CSR and business performance [3, 4].

Especially in emerging markets like China, the impacts of CSR activities on business performance are rather complicated. CSR activities of Chinese companies are influenced by culture, politics and other factors simultaneously [5]. As a local Chinese brand, the CSR activities of ERKE not only reflects its set of values, but also set an example for companies in China who intend to carry out CSR activities.

Although there are a great amount of papers studying CSR and business performance, very few of them focus on local Chinese companies, especially sporting goods companies like ERKE. Therefore, this research aims to fill the gap, using case analysis to discuss how ERKE's CSR activities impact its business performance, providing new theoretical and practical insights.

## 3. Method

This research uses the case study method, aims to discuss ERKE's CSR activities and the impacts of such activities on its business performance, and mainly includes the following steps: first, develop theoretical framework through review literature; then, collect and analyze related data of ERKE's CSR activities; finally, evaluate and compare the impacts of CSR activities on business performance.

There are three main data resources for this research: the first is the data from published papers or surveys, from which academic perspectives on ERKE's and other companies' CSR activities are obtained. The second is the related statistics on mainstream social media platforms, from which public perception towards CSR activities is obtained. The last source is news and reports published by media online. Media play a latent role in monitoring the data of companies' CSR activities.

Data will be analyzed by basic statistical method to evaluate and compare CSR activities of different companies. Qualitative data such as the information from literature review will be summarized through content analysis method, so as to observe the similarities and differences of CSR activities in existing studies. Comparative analysis will be used in this paper for data analysis, comparing the various impacts of ERKE's multiple CSR activities.

## 4. Case Study

### 4.1. Background Information of ERKE

Since its establishment in 2000, ERKE has grown into a major brand in Chinese sportswear industry. Although faced with tough competition from ANTA and Li-Ning, ERKE remains its commitment to CSR. Whenever natural disasters hit the country or challenge occurs, ERKE always acts promptly to provide assistance, especially in disaster relief, poverty eradication, and supporting people with disabilities, which demonstrate it is a highly socially responsible company. Details could be found in Table 1. Even during times of financial difficulties, ERKE maintained its commitment to social good, showing its caring for social responsibilities as a Chinese company.

Table 1: ERKE's external donation and amounts over the years.

Year	Donated money (thousand yuan)	Value of donated goods (thousand yuan)	Donees
2008	6000	Donation of unknown value	Donated to Wenchuan for earthquake relief.
2013		25,000	Donated goods to Fujian Foundation for the Federation of People with Disabilities.
2018		60,000	Donated goods to Fujian Provincial Foundation for Disabled Persons.
2018		20,000	Donated goods to the China Disabled Persons' Federation.
2019	100,000		Donated to Hebei, Shandong and other places through the China Disabled Persons Federation.
2020		10,000	Donated goods to Wuhan during the COVID-19 outbreak (including masks, disinfectant, cold-resistant clothing and other materials).
2021		50,000	Donated to Zhengzhou, Henan Province due to the once-in-a-century flood.
2022		10,000	Donated to Quanzhou and Jilin to fight against the COVID-19 pandemic.
2022	100,000		Donated money and goods to Fujian Provincial Foundation for Disabled Persons.
2023		20,000	Donated to Jishishan, Gansu Province for earthquake relief.

### 4.2. Representative CSR Activities

ERKE's most representative CSR activity is the donation to Henan for flood relief in 2021. On July 20, 2021, a devastating flood struck Henan, causing direct economic losses of 114.269 billion yuan, with 302 fatalities and 50 missing as of August 2, 2021. Many companies and celebrities made donation, and what ERKE did grabbed the most of public attention. According to its financial reports, the total turnover of ERKE in 2020 was 2.843 billion yuan with a net loss of 220 million yuan. In the first half year of 2021, ERKE suffered a net loss of 60 million yuan. Compared with other similar sportswear brands like ANTA, Xtep, Li-Ning, and 361 Degrees, ERKE's condition didn't seem promising, whose turnover was even less than one tenth of ANTA's [6]. However, the

total donation made by ERKE exceeded all the aforementioned Chinese sporting brands, ranking the first together with ANTA.

The mismatch between its donation and its financial status quickly triggered heated discussions among the netizens. Statistics from the media show that from July 23, 2021 to the end of the year, ERKE trended on Weibo more than 30 times, half of which occurred within a few days after its donation. According to relevant data, on the night of July 22 that year, ERKE topped the Weibo's hot search list and ranked the second on Douyin's hot list. Douyin is the Chinese version of TikTok. Within a week, the post of ERKE donating to Henan on Weibo gained 9.45 million likes, 224,000 reposts, and 287,000 comments. Some representative comments, gaining hundreds of thousands of likes on average, demonstrated public sentiment towards the donation. Related topics were read 1.06 billion times and discussed 173,000 times (see Table 2). Shortly after, netizens "wildly" shopped on ERKE's e-commerce platforms and eight million viewers swarmed to ERKE's livestreaming channels. Sales of ERKE soared 52 times and within a few days, its revenue reached 77 million yuan. In its offline stores, some customers even paid 1,000 yuan for 500-yuan products [7].

Table 2: Data of ERKE-related Weibo posts [8].

Weibo content	Weekly data
Post of ERKE's official Weibo account: A donation of 50-million-yuan relief supplies is made to help Henan to fight against the flood.	Comments: 287,000 Reposts: 224,000 Likes: 9.45 million
Wu Rongzhao, founder of ERKE, reposted the post of ERKE's official Weibo account and wrote a message to show support to Henan.	Comments: 56,000 Reposts: 5975 Likes: 1.55 million
Key comments from Internet users: 1. It feels like you're going out of business donating so much. 2. Not buying Weibo vip membership for your official account but willing to donate so much. 3. Donating 50 million yuan but doesn't appear on the hot search list. Feel sad for your poor publicity.	1. 18,843 comments and 805,000 likes 2. 2,087 comments and 282,000 likes 3. 6,201 comments and 434,000 likes 4. 4,016 comments and 387,000 likes
Weibo topic: # ERKE's Weibo comments are so sad #	1.06 billion views 173,000 discussions 39,000 original posts

### 4.3. CSR Activities of Other Companies

On the night of December 18, 2023, an earthquake with a magnitude of 6.2 hit Jishishan Country, Linxia Hui autonomous prefecture, Gansu Province. All walks of life responded promptly and so were many companies. ERKE, as expected, donated 20-million-yuan relief supplies to the earthquake-stricken areas in Gansu, which had been once again widely discussed. At noon on December 19, the topic #ERKE DONATED 20 MILLION AGAIN # quickly topped Weibo's hot search list.

Before its donation to Henan, ERKE had already been contributing greatly to poverty eradication and disaster relief, but in low-key ways, rarely attracting public attention. Nevertheless, after its donation to Henan, ERKE donated 100 million yuan worth of charitable goods to Fujian Provincial Foundation for Disabled Persons and almost 20 million yuan worth of earthquake relief supplies for

Jishishan County of Gansu. The donation to Henan was a turning point for ERKE, after which it witnessed tremendous growth in consumers' support and enthusiasm. Therefore, the two substantial donations made by ERKE later both went viral online and were heatedly discussed. But there are differences regarding the public responses:

First, the public did not react "maniacally" to the other CSR activities of ERKE as they did to the donation to Henan. Although there was growth in brand visibility, none of that induced the "wild consumption" after its Henan donation; then, there were divided voices. While the majority of netizens still consider ERKE as a "patriotic" and "responsible" company, a number of industry insiders and outsiders doubt that ERKE's actions have become its market strategies after finding the benefits of doing so, criticizing ERKE was "marketing in the name of charity".

## 5. Results Analysis

The case of ERKE's CSR activities provides an opportunity to further study the relationship between CSR activities and business performance. Here are the results of analyzing ERKE's CSR activities and their impacts on brand image and sales performance: ERKE experienced a short-term explosive growth in sales and improved public image because of the positive comments, popularity of related memes, and high-quality of its products after the Henan donation. The rest of ERKE's CSR activities didn't develop in the same way, and negative comments appeared online. Hence, no significant impact of these activities towards the sales and performance of ERKE was observed.

There are three reasons why ERKE received favorable comments through its donation to Henan: first, compared with other similar sporting brands, ERKE, which was known as "a nearly-bankrupt enterprise" among netizens, had lower revenue and profits. But it donated the same amount of supplies as ANTA did, which had a net profit of 5.2 billion yuan. Such a strong contrast and patriotism shown by ERKE resonated with netizens. Secondly, ERKE had made multiple donations before without any fanfare. Therefore, in the eyes of netizens, it is a modest, practical, and socially responsible company. Thirdly, as the donation to Henan trended, ERKE maintained a humble attitude towards the "wild consumption" of consumers on social media platforms such as Weibo and livestreaming channels, calling for the public to remain rational. Such an appropriate and decent response earned the brand praise [9].

The way it spread in the media also prompted the popularity of ERKE. After the explosive response to the Henan donation, netizens volunteered to serve as the "Internet water army", which usually refers to those who are paid by public relations companies, websites, or other organizations to create buzz and profit through posting, deleting posts, or other means. Memes about ERKE were created online in rapid succession as emotional outlets for netizens, such as "sewing machines are on fire" and "pls do more marketing" which attracted more netizens to join the spree. The rapid evolution of memes significantly improved the brand awareness and popularity of ERKE. Taking Douyin as an example, before ERKE's Henan donation, its level of trending on the brand hot list was as low as 750, but it soared to 1,400 after the donation with an increase of 86.67%. The number of followers of its livestreaming channels on Douyin and Taobao, a Chinese e-commerce platform, skyrocketed to 15 million.

After ERKE went viral, some netizens surprisingly found that the ERKE products they purchased years before had high quality: shoes bought in 2007 only had slight distortion issues and no glue failure occurred. By virtue of the public attention evoked by the donation, consumers noticed the excellent quality of ERKE's shoes, which further strengthened its public image as a sportswear brand who is devoted to products research and development. When netizens are driven by strong emotions, they are willing to pay for "patriotic" products, and even more willing for such products with high-quality. It coincides with the demand of netizens for higher-quality products as a

consumer and the emotional appeal to patriotism as Chinese people.

There are some reasons explaining why other CSR activities of ERKE didn't strike a chord with the public: first, other donation events were not as overwhelming and urgent as the donation to Henan, thus drawing less public attention. Secondly, the subsequent CSR activities were affected by the adaptation effect of the Henan donation where a great many of companies donated. Thirdly, as public focus on CSR grows after the flooding in Henan, many enterprises become often engaged in CSR activities, which makes ERKE less outstanding, thus lowering its brand awareness and impact.

There are two reasons explaining why CSR activities for social good are seen as a "marketing strategy": first, ERKE's behavior in the flood disaster in Henan raised public expectations towards CSR activities. Subsequent similar activities may have been considered as regular activities of companies to which consumers no longer attach emotions. There's even an anticonformity effect, where some netizens are disturbed by the overwhelming praise for ERKE's CSR activities. Secondly, as public focus on CSR grows after the flooding in Henan, more major companies have enhanced their investment on socially responsible programs. Such a trend has also made the CSR activities of ERKE later less prominent, waning public enthusiasm towards it.

## 6. Discussion

ERKE's CSR activities, to some extent, represent "valid" and "invalid" CSR activities in the information age. For the same companies, the polarizing sales performance and comments caused by CSR are intuitive. ERKE's case shows that some CSR activities can have positive impacts while others may have negative impacts or become uncertain factors of business performance.

Noticeably, according to the Henan donation, the public emotional outburst can lead to a surge in company performance and an explosive growth in a short term. Meanwhile, the CSR activities carried out by companies can imperceptibly boost public image in a positive way, benefiting their long-term growth, a relatively substantial growth though less impressive than the short-term one [10]. In the long run, public emotions are not durable. Companies might raise the bar of performance objectives due to short-term growth, making inappropriate decisions that will lead to sales decline. Meanwhile, the public might doubt whether the motivation and fulfillment of CSR activities are consistent with companies' statements. More importantly, if companies expect to improve sales performance through public attention to CSR activities, the companies themselves should strengthen the quality and features of their products. ERKE's shoes have high quality but less-appealing designs. Therefore, customers who prefer quality stayed and become long-term clients of ERKE while the majority of the customers prefer design over quality left as their enthusiasm waned.

Thus, while performing CSR, companies may consider from some new perspectives. For example, companies may consider incorporating CSR into their company culture so that CSR would become their regular practice (such as the rural revitalization and poverty reduction events hosted by Moutai, a major Chinese liquor company), fighting against the doubt of "publicity stunt"; companies should guarantee the transparency of CSR performance (such as the regular Weibo posts of ERKE to report the donation progress and implementation) to allay public concerns; in addition, CSR should be performed regularly in long terms to convince the public that CSR has become a part of company culture, impressing the public with a positive image; consumers should also be involved in the process of supervision. Companies can transform the supervision from consumers to emotional connections through this process, where consumers would focus internally on the companies, thus creating profits while providing emotional value; moreover, companies should have genuine conversations with the public and consumers, collect feedback on the products and company images in time, and convey the company's management culture.

## 7. Conclusions

This research finds that the short-term and long-term business performance of ERKE is greatly influenced by its donation to Henan, while the rest of its CSR activities don't have such a significant impact. Therefore, the author reaches a conclusion that is basically consistent with that of the available papers: generally speaking, the fulfillment of CSR performance is positively correlated with business performance.

This research not only provides insights into how to fulfill CSR effectively, but also sheds light on how to demonstrate the core value of companies when faced with social challenges, lays a relatively solid foundation for CSR-economic-utility-related topics, and provides a valuable reference for future CSR fulfillment of companies.

The objects of future research should be extended to CSR activities in different industries, companies in different scales, and from different cultural and regional backgrounds, promoting companies to understand the application and effects of CSR worldwide, as well as how to facilitate long-term, sustainable development through CSR activities. In addition, future research may focus on the impacts of CSR activities on internal employees, and how to enhance the effects of CSR activities through the engagement and recognition of employees.

## References

- [1] Li S., Huang S.Z. (2022) *The Evolution of ESG from CSR – A Literature Review and Future Perspectives*. *Finance Research*, 4, 13–25.
- [2] Zheng H.D. (2007) *CSR Performance: Measurements, Influencing Factors and Impact on Business Performance*. Ph.D. Dissertation, Zhejiang University, Hangzhou, Zhejiang.
- [3] Zhou J. (2008) *An Empirical Study of the Relationship between Corporate Social Responsibility and Financial Performance*. Master's Thesis, Tongji University, Shanghai.
- [4] Cui D.F., Shao W. (2018) *Corporate Social Responsibility, Marketing Capabilities and Corporate Firm Performance – Moderating Role of Environmental Uncertainty*. *Research on Economics and Management*, 39(7), 134–144.
- [5] Wang M. (2008) *Theoretical and Systematic Research on Corporate Social Responsibility of Chinese Enterprises*. Ph.D. Dissertation, Tianjin University, Tianjin.
- [6] Huang Q. (2023) *The Influence of Enterprises' Contribution to Social Good on Consumers' Purchase Intention – A Case Analysis of ERKE*. *Time-honored Brand Marketing*, 12, 104–106.
- [7] Liao B.Y. Di H.X. Wen Y.W. (2022) *Research on Weibo's Public Opinion Guiding Mechanism in Charity Marketing of Brands – Based on Big Data Analysis of ERKE's Public Opinion on Weibo*. *Global Journal of Media Studies*, 9(6), 102–116.
- [8] Chen L.J. Hu X. (2022) *Corporate Social Responsibility, Online Emotional Communication and Brand Value: A Case Study Based on ERKE*. *Journal of Economics Research*, 3, 94–96.
- [9] Jia L.P. Ni W.H. (2021) *Fulfillment of Corporate Social Responsibility in the New Era based on ERKE's Case*. *Modern Business*, 35, 27–30.
- [10] Li Q.Q., Zhang X.M. (2022) *Symbolic Consumption Effect of Corporate Social Responsibility: An Interpretation of the "ERKE Phenomenon"*. *Times of Economics & Trade*, 19(10), 37–39.