

Philanthropy in the Global Wine Industry: An Exploratory Study

Part 2: Cross-national Quantitative Analysis

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Abstract

Purpose: This multi-national investigation examines the extent to which wine businesses are engaged in philanthropy, the types of donations provided, the nature of the recipients, and the amount that wineries are reportedly expending on these activities.

Design/methodology/approach: Researchers in five nations collected quantitative data from 408 wine businesses using an online questionnaire; descriptive statistics are presented herein.

Findings: A majority of respondents engage in philanthropic pursuits, with minor national differences in participation rates. Respondents report that the number of requests for donations is increasing annually, concomitantly resulting in increased giving. The primary activities are donations of wine and, to a lesser extent, cash donations. Beneficiaries are most likely to be at a local or regional level, and a wide range of organisations are supported.

Key words: philanthropy; wine industry; qualitative; social responsibility; strategy

1. INTRODUCTION

Business engagement in philanthropy has been said to improve both firm reputation (Seifert et al., 2003; Williams & Barrett, 2000) and the management of relationships with important stakeholders (Brammer & Millington, 2005). There is also evidence that consumers will give their support to those businesses who in turn choose to support charitable causes (e.g. Barone et al., 2000; Lorge, 1998; Smith & Alcorn, 1991). Whilst philanthropy as a subset of the corporate social responsibility (CSR) literature has been the focus of academic researchers for several decades, major gaps in knowledge remain with respect to actual company behaviours. Prior investigations have been primarily devoted to examination of philanthropy by large corporations in the United States (Schaper and Savery, 2004; Thompson, Smith and Hood, 1993). Researchers have yet to compare philanthropic practices across incumbents in a focal industry sector, across multiple nations, and among businesses in the wine industry.

Among the highlights of a 2015 survey of 520 residents in California's North Bay (Lake, Napa, and Sonoma Counties) and Central Coast (Santa Barbara and San Luis Obispo counties) is that, "84% [of respondents] said that wine businesses are either very important (54%) or important (30%) in terms of producing jobs and economic activity in their county; however, by a 50% to 19% margin, respondents said that most wine businesses are responsive to community concerns; 31% were uncertain or had no opinion about this" (McCuan and Hertz, 2015). One possible interpretation is that while respondents, by a considerable margin, embrace the presence of wine businesses in their communities to foster job creation and economic activity, they remain far less certain about the community benefits. Wine producers are well aware of community stewardship issues and acknowledge the importance of being environmentally mindful (Marshall et al., 2010). In order to create direct community benefits apart from economic growth or jobs, it seems likely that wine businesses are undertaking some form of philanthropy.

This investigation attempts to quantify and compare philanthropic practices in the US, Spanish, Australian, German and New Zealand wine industries. In particular, we examine whether wine businesses are actually undertaking philanthropy, and if so, what type of philanthropic activities they are providing, the value of their philanthropy (as a % of EBIT) and the main beneficiaries.

2. PHILANTHROPY LITERATURE

Payton (1988) defines philanthropy as voluntary actions for the public good. Similarly, Schuyt, Bekkers and Smit (2010) describe philanthropy as the voluntary contribution of money, goods, time or expertise to the public good. Philanthropy is commonly included as one of the core components of corporate social responsibility (CSR), with Carroll (1991) defining CSR as the economic, legal, ethical and philanthropic responsibilities of companies. It should be noted that philanthropy is the most discretionary of the CSR components, and thus the word voluntary typically appears in definitions of the concept. So, what are the types of voluntary contributions that businesses can make to assist society?

Previous research has revealed a number of philanthropic activities that businesses have undertaken. These include cash donations, product or service donations, use of facilities, sponsorship, volunteerism, employee matching grants, and cause-related marketing (Carroll & Buchholtz, 2003; Saiia et al., 2003; Seifert et al., 2003; Tsang, Welford & Brown, 2009). Some studies have reported that cash donations are the most common philanthropic activity (e.g. Cronk, 1988; Thompson, Smith & Hood, 1993). One study explored philanthropic engagement in the German Agrobusiness in the context of cluster management stating a high level of engagement for diverse agricultural businesses, including wine (Hensche et al., 2011). The philanthropic activities that wine businesses are realising have not been examined in detail in previous research.

Whilst there are numerous activities there are also a wide range of philanthropic beneficiaries. For example, Thompson, Smith and Hood (1993) report that local community, educational, sporting, religious, cultural, environmental and health-related organisations are the favoured recipients of philanthropy. Similarly, Godfrey (2005) and Siefert et al. (2003) note that philanthropy provides support for education, culture or the arts, minorities, health care, and relief funds for the victims of natural disasters. The Australian Bureau of Statistics (2002) report that small businesses typically donate to community welfare, sport and recreational causes, and health based activities.

There is some evidence that philanthropic activity is increasingly important and prevalent. For example, Bhattacharya and Sen (2004) claim that over 80% of the Fortune 500 companies are now including CSR spending in their annual reports (NB. this would include philanthropic endeavours). Porter and Kramer (2006) also note that 64% of the 250 largest multinational corporations are publishing CSR information annually. In the UK, the level of philanthropic donations made by large businesses has increased significantly over the past 20 years (Brammer & Millington, 2005). In New Zealand, Schaper and Savery (2004) report that over half of all businesses contribute to social and community causes. In terms of expenditure on philanthropy, donations across all FTSE companies was found to have increased from a mean of 0.11% of PBT in 1985 to 0.405% in 1999 (Campbell, Moore & Metzger, 2002). Thompson, Smith and Hood (1993) report the average annual donations by small businesses are only 0.2% of total annual sales. The extent to which wine businesses are engaged in philanthropy, and the amount they expend on these activities, is not known.

Gjolberg (2009) identifies national differences in CSR practices and performance, with corporate philanthropy in particular being prevalent among US companies. Palazzo (2002) also reports that European businesses are less inclined to engage in philanthropy than their American counterparts. Campbell, Moore and Metzger (2002) note that the rate of charitable donations in the US (1986-1996) is consistently higher than those made by UK businesses. As the wine industry is truly global in nature, we would thus expect differences across nations in terms of how (or if) philanthropy is undertaken. There is a suggestion that a business's industry sector may play a role in stimulating philanthropy (Brammer & Millington, 2006). This relates to the idea that the public and governments may apply pressure to businesses in some industries to behave in a socially responsible manner. As alcohol is a product which comes under considerable public and political scrutiny, it is possible that businesses in the wine industry

may feel a need to undertake philanthropy to balance any negative attention. Based on the foregoing review of the philanthropy literature, five research questions were developed:

- RQ1. *Are wine businesses engaged in philanthropy?*
- RQ2. *What amount are wine businesses spending on their philanthropic activities?*
- RQ3. *Is the level of philanthropy provided, and requests received for philanthropy, increasing?*
- RQ4. *Which philanthropic activities are most commonly provided by wine businesses?*
- RQ5. *Who are the most common beneficiaries of wine business philanthropy?*

3. METHOD

To collect the quantitative data reported herein, each of the five researchers sent a structured questionnaire to wine businesses in their nation (typically using the online distribution services of *Survey Monkey* or *Qualtrics*). The questionnaire was developed following a review of the philanthropy literature, as well as exploratory interviews with several wine businesses in the US, Spain and New Zealand. The instrument used categorical items to measure the characteristics of the wine business (e.g. location, size and ownership structure), the philanthropic activities they engaged in during 2015, the recipients of these activities, and the amount spent (measured as a percentage of EBIT). Likert-scaled items were used to measure the philanthropic motivations, beliefs and strategies of the businesses. The questionnaire was pre-tested in some nations before data collection commenced. Whilst every effort was made to collect data using a standardised questionnaire, some minor changes to wording or categories had to be made in some nations to meet local needs.

Data was collected in each nation in 2016 and respondents were asked to refer to their business's philanthropic behaviour in the previous year. The number of respondents and the response rate varied across nation (see Table 1). The first column provides an estimate of the number of wine businesses in each nation.

Table 1. Respondent Numbers and Response Rate

<i>Nation</i>	<i>Approximate Population</i>	<i>Number of Respondents</i>	<i>Response Rate (%)</i>
USA	2,010	100	5
Spain	4,120	68	2
Australia	1,896	68	3
Germany	2,000	159	7
New Zealand	675	13	2

4. RESULTS & DISCUSSION

The first research question examined whether wine businesses are active philanthropically or not. Table 2 illustrates that a majority of wine businesses, in multiple nations, are indeed engaged in philanthropic activities. Earlier research reported that over half of all New Zealand businesses contribute philanthropically (Schaper & Savery, 2004) and that the level of philanthropy is higher in the US than in the UK or Europe (Campbell, Moore & Metzger, 2002; Gjolberg, 2009; Palazzo, 2002). Our results suggest that, in the wine sector, this has changed. A high engagement in philanthropy is developed both in the US and Europe (taking into account Spanish and German data) and this is also true across multiple nations such as NZ and Australia.

Table 2. Engagement in Philanthropy

	<i>Yes (%)</i>	<i>No (%)</i>
	99	1
	90	10
	81	19
	100	0
	100	0

The amount that wine businesses are spending on philanthropy was explored in the second research question (see Table 3). The questionnaire asked wine businesses to judge the value of their philanthropic activity (in 2015) as a percentage of their annual earnings before interest and taxes (EBIT). These results provide some support for the previously reported notion that US businesses expend more on philanthropy than do those in other nations. A total of 41% of US wine businesses donated 1% or more of EBIT; this compares to 13% of Spanish, 24% of Australian and 23% of New Zealand wine businesses.

Table 3. Value of Philanthropy

<i>Philanthropy as a percentage of EBIT</i>	<i>USA (%)</i>	<i>Spain (%)</i>	<i>Australia (%)</i>	<i>Germany (%)</i>	<i>NZ (%)</i>
Less than 0.2%	19	42	24	nr	39
Between 0.2% and 0.5%	20	14	25	nr	8
Between 0.6% and 1%	12	8	13	nr	31
Between 1% and 3%	24	8	9	nr	15
Greater than 3%	17	5	15	nr	8
Don't know	8	22	15	nr	0

nr=not recorded

The third research question examined whether the level of philanthropy was increasing or not; measured by both the wine businesses philanthropic activities and by the requests they receive for support. Tables 4a and 4b illustrate that the number of requests for help that wine businesses are receiving each year is increasing,. This may suggest that charity organisations are needing more and more help in order to address growing social issues. It may also be possible that the more the wine

industry is viewed as a substantial supporter of social causes, the more they are being drawn upon to provide support. For many wine business, the level of philanthropic help they choose to provide is also increasing each year (except in Germany). Again, this may be as a result of the increasing number of requests for help that they are receiving.

Table 4a. Level of Philanthropic Activity by Wine Businesses

	<i>USA</i> (%)	<i>Spain</i> (%)	<i>Australia</i> (%)	<i>Germany</i> (%)	<i>NZ</i> (%)
Level of philanthropic activity is increasing each year	35	41	35	10	39
Level of phil. activity is staying about the same each year	63	52	65	87	62
Level of philanthropic activity is decreasing each year	1	2	0	2	0
Don't know	1	6	0	1	0

Table 4b. Level of Requests Received by Wine Businesses for Philanthropic Support

	USA (%)	Spain (%)	Australia (%)	Germany (%)	NZ (%)
Level of requests is increasing each year	74	44	69	nr	77
Level of requests is staying about the same each year	20	42	29	nr	23
Level of requests is decreasing each year	1	0	0	nr	0
Don't know	1	14	2	nr	0

nr=not recorded

The types of philanthropic activities that wine businesses are engaged in were identified in the fourth research question (see Table 5). It was found that some wine businesses only undertook a single philanthropic activity, but a majority were involved with providing a number of different types of philanthropic activities. Across all nations, the single most commonly provided activity was the donation of wine. This result differs from earlier studies which have reported that cash donations are the most commonly undertaken philanthropic activity (e.g. Cronk, 1988; Thompson, Smith & Hood, 1993). Cash donation still follows in importance across the nations.

Table 5. Philanthropic Activities

Activity	USA (%)	Spain (%)	Australia (%)	Germany (%)	NZ (%)
Donations of wine	95	86	95	86	85
Donations of cash	69	33	38	65	54
Donations of facilities to host events	52	40	35	51	46
Donations of staff time	73	44	42	42	54
Donations of % of revenue on units sold	17	10	18	11	8
Sponsorship of a person, event or cause	42	43	58	12	54
Matching employee gifts/donations	9	8	4	21	0
Serving on non-profit boards	59	16	29	23	54
Volunteer efforts by staff	48	19	42	21	31
Other	nr	6	11	33	0

nr=not recorded

The final research question examined who was benefitting from the philanthropy provided by wine businesses. Table 6 illustrates the beneficiaries that the wine businesses focused on, as well as their locational preference. It is clear from these results that wine businesses prefer to have a focus on their local or regional vicinity; this indicates how important these businesses are to charities and organisations operating in physical proximity to wine businesses. New World nations appear to have less of a focus on international charities, when compared to the results from Spain. Education, cultural or arts, health, welfare or community organisations are most likely to benefit from wine business philanthropy in the US. In Australia, the results are similar except that sports organisations are also significant beneficiaries. Results from Germany are again similar, except that health organisations do

not receive wide support. New Zealand wine businesses are most likely to support educational, health, welfare or community and cultural or arts organisations. The most commonly supported causes in Spain are sports, cultural or arts, education and environmental. The results provide evidence that a wide range of organisations are benefitting from the philanthropy provided by international wine businesses.

Table 6. Beneficiaries of Wine Business Philanthropy

	<i>US</i> (%)	<i>Spain</i> (%)	<i>Australia</i> (%)	<i>Germany</i> (%)	<i>NZ</i> (%)
Individuals in need	25	42	22	31	46
Local charities	94	61	76	66	92
Regional charities	48	39	45		54
National charities	29	32	31	23	23
International charities	4	23	13		8
Educational institutions	64	37	44	43	54
Health-related institutions	49	8	44	16	46
Welfare or community organisations	45	19	49	89	46
Sports organisations	10	47	51	41	39
Religious organisations	15	16	22	37	0
Cultural or arts organisations	52	44	60	42	46
Environmental organisations	32	23	22	18	15
Relief funds (e.g. natural disasters)	23	10	29	10	31
Other	14	6	4	8	23

5. CONCLUSIONS, LIMITATIONS, FUTURE DIRECTIONS

This investigation provides an initial exploration of philanthropy across the global wine industry. A majority of respondents (i.e. at least 80%) are voluntarily providing support for the public good through philanthropy. Caution must be used in interpreting the results inasmuch as some questions may have become "lost in translation" or elicited answers that had different shades of meaning, due to the cultural and linguistic differences among respondents across country boundaries. Further, respondents may have reported higher levels of philanthropic behaviours than actual practice, due to fear of reputational harm.

That said, however, several gaps in knowledge regarding CSR in general and business philanthropy in particular are addressed in this investigation. There appears to be great convergence among respondents from different countries around: (1) nearly unanimous engagement in philanthropy, (2) dominance of wine donations, followed by donations of cash, (3) focus on supporting local and regional organisations in the educational, health, welfare or community, cultural or arts, sports or environmental areas, and (4) inducements to respond to an increasing number of requests for donations on an annual basis, whilst levels of philanthropic activity appear to be more or less constant across all nations under

study. With respect to national differences, wine businesses in the US report spending a higher percentage of EBIT on philanthropic activities than do their counterparts in other nations. A possible explanation for this disparity is that US companies can deduct charitable contributions to lower reported income for taxation purposes, whereas companies in some other countries cannot. A future study using the same data sets will (1) ascertain whether or not the motivations for philanthropy are altruistic or strategic in nature, (2) identify any benefits that are gained from philanthropic pursuits, and (3) examine the impact of firm size on giving.

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