



# Research on the Promotional Effect of the Digital Economy on Corporate Social Responsibility

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**Abstract.** The current digital economy is developing rapidly and playing an important role in society. Corporate social responsibility-related issues have been more mature through years of development. In this article, the role of the digital economy on corporate social responsibility is studied by analyzing cases, and it is found that the digital economy has a promotional effect on corporate social responsibility by connecting mature corporate social responsibility with the new digital economy.

**Keywords:** Digital Economy; Corporate Social Responsibility; Internet Economy

## 1 Introduction

The digital economy, driven by the rapid development of computer and Internet technologies, plays an important role in social activities. Relying on data resources and using the Internet as the main carrier, the digital economy has greatly reduced social transaction costs, improved resource allocation, and promoted the rapid development of social productivity. The digital economy develops rapidly, radiates widely, has a deep impact, drives changes in production methods, becomes a key force in restructuring global resources, influences the global economic structure, and receives wide attention from society. A significant portion of the influential enterprises in the world is from the digital economy industry, such as Apple,

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Microsoft, Samsung, Amazon, Alibaba, etc. These enterprises run through all aspects of people's lives and have a great impact on society.

In the second part of this article, the current state of the digital economy is mainly introduced to illustrate the concept of the digital economy as well as its development. In the third part, corporate social responsibility is explained. In the fourth part, the promotional effect of the digital economy on corporate social responsibility is studied through the cases. In the fifth part, the article is summarized.

## **2 Status of Digital Economy**

### **2.1 Definition of Digital Economy**

There is no specific definition of the digital economy so far. However, there are similarities among the various definitions of the digital economy, for example, Ahmad N and Ribarsky J believe that both are related to digitization, i.e., encoding the conversion of information or programs into binary bits that can be read and manipulated by computers, where digital technology can take many forms, such as Voice over Internet Protocol; social networking, etc. [1].

In terms of the differences, the definition proposed by the National Bureau of Statistics focuses on emphasizing the importance of data resources, and they consider the digital economy as a series of economic activities that use data resources as a key production factor, modern information network as an important carrier, and the effective use of information and communication technologies as an important driving force for efficiency improvement and economic structure optimization [2]. The other definition by Dahlman et al. emphasizes digital technology. They consider the digital economy as a synthesis that incorporates several general-purpose technologies (GPT) and the sum of a series of economic and social activities that are carried out by people through the Internet and related technologies. It contains the physical infrastructure (broadband lines, routers) on which digital technologies are based, as well as the devices used for access. The devices used for a visit (computers, smartphones), etc. [3].

In addition, there are differences in the scope of definitions. As digital technology has evolved over time, it is increasingly being applied to a variety of industries, and more and more industries are relying on digital technology. For example, the digital

economy may initially be related to industries such as smartphones, voice calls, etc. In recent years, online shopping, live-streaming sales, and other industries have grown rapidly and the scope of the digital economy has expanded.

## **2.2 Development Process and Status of Digital Economy**

The digital economy is a recent phenomenon. In the 1990s, the Internet became the foundation for the growth of the digital economy, which was in its earliest infancy at this time. The United States seized the opportunity of the digital revolution and created economic prosperity for more than 10 years. Regions and countries such as Europe and Japan also followed the U.S. and actively promoted the digital revolution, producing great results. In the 2000s and 2010s, a range of new information and communication technologies have become popular and are rapidly spreading thereby impacting the economy, which includes the Internet of Things, new end-user devices (tablets, smartphones, laptops), and new digital paradigms (cloud computing, etc.). The intensity of data use is increasing through the spread of big data, data analytics and algorithmic decision making, and the emergence of new automation and robotics. Developing countries are also developing the digital economy. At present, the digital economy is still in the development phase.

According to the Global Digital Economy White Paper (2022) released by the China Academy of Information and Communications Technology, the digital economy in 47 countries around the world is \$38.1 trillion in value added from an overall perspective size in 2021, with nominal growth of 15.6% year-on-year and a proportion of GDP of 45.0%. Among them, the developed countries have a large digital economy with a high share, with a size of \$27.6 trillion in 2021, accounting for 55.7% of GDP, and the developing countries have a faster growth of the digital economy, with a growth rate of 22.3% in 2021 [4].

The digital economy-related industries in all major countries are growing rapidly. In terms of scale, the U.S. digital economy ranked the world's No. 1, with a scale of \$15.3 trillion, and China ranked second, with a scale of \$7.1 trillion. In terms of percentage, Germany, the United Kingdom, and the United States ranked the top three in terms of the digital economy as a percentage of GDP, all exceeding 65%. In terms of growth rate, Norway's digital economy grew 34.4% year-on-year, ranking first in the world, and 13 other countries such as South Africa, Ireland, and New Zealand have digital economy growth rates of more than 20% [4].

### **3 Current Development of Corporate Social Responsibility**

#### **3.1 Definition of Corporate Social Responsibility**

Different scholars have different emphases on the definition of corporate social responsibility. For example, Bowen focuses on the social dimension [5] and Friedman focuses on shareholders or investors [6]. Amba-Rao affirms that the concept of corporate social responsibility is based on management values [7].

According to Carroll, corporate social responsibility includes economic, legal, and ethical issues [8]. Carroll and Heald believe that in the 1920s and early 1930s, corporate social and economic responsibility was transformed by the relationship in which corporate managers were seen as trustees of different external relationships of the company, in which they began to take on the responsibility of balancing profit maximization with the creation and maintaining a balance with the needs of customers, the workforce and the community [9] [10].

The European Commission defined corporate social responsibility as "the voluntary integration of social and environmental issues by companies into their business operations and interactions with stakeholders" [11]. Garriga and Melé conceptualized theories related to corporate social responsibility into four categories: instrumental, political, integrative, and ethical [12].

Although different scholars have defined the concept of corporate social responsibility, there is no unified definition of corporate social responsibility. However, corporate social responsibility usually refers to the responsibility of enterprises to consumers, communities, and the environment while creating profits and taking legal responsibility to shareholders and employees. Corporate social responsibility requires that enterprises must go beyond the traditional concept that "profit is the only goal" and emphasize the need to pay attention to human values in the production process and to contribute to the environment, consumers and society. The definition of corporate social responsibility has also evolved over time.

#### **3.2 Development Process of Corporate Social Responsibility**

The development of corporate social responsibility can be divided into three stages: the period before the 1980s is the first stage, which was the nascent period of the concept of corporate social responsibility. During this period, scholars began to think about the relationship between business and society, and the unrestricted use of the term "corporate social responsibility" caused uncertainty about its definition. The

period from 1980 to 2000 was the second phase, which was the period of development of the concept of corporate social responsibility, and with the development of globalization, the linkage between corporate social responsibility and international sustainable development received widespread attention, especially from multinational corporations. The period after 2000 was the refinement of corporate social responsibility, which focused on the understanding and expansion of corporate social responsibility and its implementation, as well as strategic approaches to corporate social responsibility.

The discussion on corporate social responsibility can be traced back as far as the 1930s when the debate on corporate social responsibility arose. Bowen may have provided the first academic definition of corporate social responsibility, in which he defined corporate social responsibility as the obligation of businessmen to align themselves with relevant policies, make appropriate decisions, and take desirable concrete actions in accordance with the goals and values of society [5]. Lee believes that the academic research and theoretical focus of corporate social responsibility between the 1950s and 1960s focused on the social level of analysis [13].

Carroll was perhaps the first person to propose a unified definition of corporate social responsibility, and his "four responsibilities theory" made the definition of social responsibility clearer and improved the content of social responsibility. Carroll divided social responsibility into four areas: legal, economic, ethical, and philanthropic, and considered social responsibility as a comprehensive obligation of these "four responsibilities" [14]. In the 1980s, the discussion focused on the way to implement corporate social responsibility, and the corporate social responsibility movement began to gradually emerge in developed countries in Europe and the United States, including environmental protection, labor, and human rights, which led to a shift in consumers' concern from a single concern for product quality to multiple concerns such as product quality, environment, occupational health, and labor protection. A number of non-governmental organizations involved in Greenpeace, environmental protection, social responsibility, and human rights, as well as public opinion, have also continued to call for a link between social responsibility and trade.

In the 1990s, the development of the globalization process led to the concept of corporate social responsibility gaining international appeal. Globalization has increased the operations of multinational corporations, which are faced with different overseas business environments, along with the opportunities and challenges of new markets. Under increasing pressure and in response to their own development needs,

many European and American multinational companies have developed codes of responsibility (including social responsibility) that make the necessary commitments to the society or have responded to the needs of different interest groups through environmental, occupational health, and social responsibility certifications. The reputational risks associated with increased global visibility and the pressures of the new business environment have led many multinational companies to see the potential for corporate social responsibility as a safe way. Therefore, Carroll believes that corporate social responsibility was more institutionalized during this period [15].

In 2002, the United Nations officially launched the UN Global Compact. The Compact has nine principles, and the UN urges companies to abide by them when facing their employees and suppliers. In recent years, corporate social responsibility (CSR) has become one of the important factors for rating companies by many rating agencies. Chtourou and Triki believe that companies use corporate social responsibility as a strategic tool to obtain economic goals, which generate wealth and value [16]. Lyon et al. believe that corporate social responsibility has become a familiar concept in recent decades [17].

## **4 Impact of Digital Economy Development on Corporate Social Responsibility**

### **4.1 ERKE**

Founded in June 2000, ERKE Group is a leading sports brand in China, headquartered in Xiamen, Fujian Province. The Group has the global brand "ERKE" and its products include sports shoes, sportswear and a wide range of sports accessories. The Group has nearly 10,000 employees and 19 international shoe production lines, with an annual production capacity of 17 million pairs of sports shoes. In 2005, ERKE was successfully listed in Singapore, becoming the first domestic sports brand to be listed abroad. After the listing, ERKE ushered in the high moment, the annual revenue of the company grew at a rate of 40%, not only with the capital support, but also with the opportunities given by the times. The 2008 Beijing Olympic Games created a great opportunity for a hundred years to enhance the sports brand market and the rise of national sports brands. In line with the trend, its overseas channels quickly expanded to more than 40 countries and regions, but at the same time, the crisis also came with an expectation that sales of sports goods must increase greatly under the influence of

the Olympic Games. So the major sports brands are beginning to pull all the horsepower laying, laying even up to 2-3 times the demand, ERKE is no exception, facing inventory and cash flow crisis. In 2015 a fire will ERKE to the edge of closure, ERKE factory building 3 warehouse fire, and ignited the next building 2 and building 1, the local fire department sent 270 firefighters 50 fire engines, after 11 hours to put out the fire, this fire incident to ERKE brought an extremely heavy blow. In recent years, the development of China's e-commerce platform and supply chain is much faster than the world can imagine, e-commerce has become the new arena, ERKE as a third-tier brand, brand exposure is limited. After nearly 20 years of operation, ERKE has turned from strength to weakness.

On July 20, 2021, Zhengzhou was hit by a once-in-a-thousand-year rainstorm, and the city, with a population of tens of millions, was instantly eroded by floods, causing major casualties and significant property damage. Many people and enterprises in the country have come to their aid, Fujian's sports brand ERKE donated 50 million yuan on the second day of the flood, some careful netizens found that the ERKE company's business situation in recent years is not good, and even a loss of 220 million in 2020, netizens sent this contrast to the network, a short time to become a hot search, igniting the passion of the nation's netizens, some netizens to ERKE official microblogging filled Members to 2140. A large number of netizens rushed to ERKE's live broadcast booths on various online platforms, making wild purchases and wild consumption without asking for prices or quality. On July 22, the number of viewers of the live broadcast exceeded 2 million, and created more than 15 million sales on the night of July 22; on July 23, the number of viewers of the live broadcast was close to 9 million, reaching 8.826 million, and as of the evening of July 24, the sales data of ERKE's Jieyin live broadcast exceeded 100 million yuan.

The accident is inextricably linked to the development of digital technology, whether it is the donation event that sparked the initial buzz or the live broadcast that later triggered a national buying frenzy all thanks to the development of digital technology. The ERKE incident first happened on Weibo, one of the most popular social media platforms in China. On the night of July 22, 2021, the Weibo topic "ERKE's Weibo comments are so heartbreaking" topped the Weibo hot search list, followed by "ERKE donates 50 million to help Henan" which reached No. 2 on the ShakeYin hot list. By the 24th, the ERKE donation hit the top of several platforms in China, which basically covered the mainstream media platforms in China, and was re-disseminated through WeChat shopping followed by sharing in friends' circle, etc.,

triggering mass consumption. This process can reflect the importance of digital technology in this event, thanks to which this move of ERKE Group was seen by the society and thus triggered the impact. Subsequently, ERKE in Taobao, Tiktok and other platforms of the live room also have a large number of netizens influx to buy, the development of mature e-commerce technology, the development of logistics industry makes the netizens can have channels to support ERKE, for ERKE's turnover soared to make an important contribution. On the surface, the trigger of this HongxingErke outbreak is the Henan donation event, but the value behind the support is HongxingErke has been willing to take social responsibility of the heart. Following this donation event, netizens found that ERKE has been contributing to all walks of life in the past many years, for example, ERKE was named the most socially responsible enterprise in China in 2011; donated 10 million anti-epidemic materials in January 2020; donated 100 million for poverty alleviation and helping the disabled in July 2020. After this event, ERKE successfully strengthened its corporate brand image and gained a good reputation among the public.

From product is king, to channel is king, to user is king, the times are changing. With the traffic war, the era of user is king has come, business is not just to provide products for users, but to become a "community" with users to share the same fate. ERKE in the past in people's minds, only a third-tier brand on the verge of market elimination, but this time it has successfully entered the hearts of users and occupy a positive image in the minds of users, it once again has the right time, right place and right people, but "wild consumption" is not sustainable, to let the enthusiasm of users continue, the company also needs to make up for the shortcomings in the product, design. For ERKE enterprise, should seize this opportunity to improve product quality, improve product design, only the product itself can make the enterprise evergreen.

#### **4.2 The "Xinjiang Cotton" Incident**

In March 2021, a statement released on H&M Group's website sparked concern, claiming a boycott of Xinjiang cotton on the grounds of so-called "forced labor," among other things. This statement caused a public outcry in China, and e-commerce platforms such as Taobao, Jingdong, and Jindo took down HM-related products. A number of mobile app stores, including Xiaomi, Huawei, Vivo and Tencent, took down the H&M Mall App. celebrity artists who had business partnerships with H&M



issued statements successively saying they no longer had a relationship with H&M. The topic of Xinjiang cotton reached the top of Weibo's hot search list, one of China's major social media platforms, sparking widespread attention and discussion, and online opinion clearly spilled over into the offline stores of these brands. "H&M was blocked by Gaode, Baidu Maps, a mall in Xinjiang asked HM to withdraw, Chengdu Joy City will take off the HM trademark. Subsequently, Uniqlo, Nike, Adidas, Converse, GAP and other brands have also been revealed to refuse to use Xinjiang cotton, and even more required to cooperate with suppliers are not allowed to use. Naturally, the step H & M followed in the footsteps of negative public opinion. "Xinjiang cotton China itself is not enough", "I support Xinjiang cotton" and dozens of other related hot searches on the five major platforms of Weibo, Tiktok, Zhihu, headlines, Baidu, the daily topic volume in the millions. The first brand H&M was the first to be targeted by the boycott of Xinjiang cotton, and was heavily criticized by online public opinion on the 24th. On the 25th, Nike and Adidas took turns to explode off the hot search, taking the place of HM's top target. Uniqlo, Converse, MUJI, GAP, Jack Jones, CK, new balance, Burberry and other brands involved in the boycott of Xinjiang cotton also during this period of public opinion heat.

China is H&M 's fourth largest sales market, according to its 2020 financial report, and the Xinjiang cotton incident in 2021 was a turning point in H&M 's decline in the Chinese market. By the end of 2021, H&M China had closed 60 stores, accounting for 12% of the total number of stores, and H&M was the first to be exposed as a "problem" company and thus was hit the hardest by the boycott. The impact of the Xinjiang cotton incident on H&M's sales in China is evidenced by the fact that the group's total sales in mainland China fell by 28% compared to the same period in 2020, with a loss of more than \$74 million, according to H&M Group's second quarter 2021 financial results, which showed strict preventive and control measures for the new crown epidemic in China throughout 2020 and low consumption during this period. Brands such as Nike were hit less severely than H&M, partly because they were not the focus of attention in this incident compared to H&M. In addition, the positioning of brands such as Nike is different from that of H&M, with low substitutability. Take Nike as an example, Nike focuses on the brand effect, customers are sticky and loyal to the brand, the phenomenon of "shoe speculation" is serious, digital technology provides a platform for "shoe speculators", the maturity of the logistics industry has helped the development of this industry, many young people pay high prices to buy Nike shoes but will not do the same for H&M clothes. Then

there are quality problems with HM's clothes, in order to save costs, HM. choose OEM production, so that the quality of clothing can not be guaranteed, HM's quality problems in recent years frequently mentioned by consumers and relevant departments and spread through the network. Chinese local brands that also suffered from the new crown epidemic but gained positive public opinion in this Xinjiang cotton incident, sales skyrocketed, the main representatives of which are Li Ning and Anta. Li Ning's 2021 total revenue reached 22.572 billion yuan, up 56.1% year-on-year, and net profit was 4 billion yuan, a 136% jump year-on-year; Anta's 2021 annual revenue was 49.33 billion yuan, up 38.9% year-on-year; net profit was 7.72 billion yuan, up 49% year-on-year.

The unjustified boycott of Xinjiang cotton by the brands concerned, led by HM, believing unconfirmed rumors and making decisions accordingly, has aroused strong indignation among the Chinese people and caused great harm to Xinjiang and all the people of Xinjiang. Disrespecting Chinese consumers, the world's second largest consumer market, violating corporate ethics, interfering in the internal affairs of other countries, violating corporate social responsibility, and bearing the corresponding costs. Business leaders should think deeply before making decisions, bearing in mind the basic value of goods, should focus on customer value, Chinese consumers as one of the world's most important consumer groups are not respected, business leaders did not think deeply about the meaning and potential impact behind the event of Xinjiang cotton, should carefully consider the pros and cons of the relevant actions, so as not to cause significant wrong impact on business development.

## **5 Conclusion**

Through the above analysis, the development of the digital economy is conducive to promoting corporate social responsibility. Digital technology represented by the Internet, as one of the most frequently used tools today, has a certain supervisory effect on enterprises. Information on the Internet spreads fast and widely. If negative news about an enterprise appears, it will spread out through the Internet at a rapid speed and is difficult to hide. For enterprises, public relations for negative events are costly and not always effective, in order to avoid losses to the enterprise or save costs, enterprises may be willing to assume corporate social responsibility to maintain a positive corporate image in front of the public and gain a good reputation.

In the process of development, a company has to take responsibility for consumers, communities, and the environment while generating profits and taking legal responsibility for shareholders and employees. When developing a company's marketing strategy or conducting marketing sales, it should fully research market information, have sufficient knowledge of consumer concerns, try to avoid incidents of disrespect for consumers, and respect the customs and laws of the local market. The company should also pay attention to environmental protection in the place where it manufactures and try to avoid causing damage to the environment in that place.

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