

Impact of CSR Practices on Consumer Buying Behaviour

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Abstract

CSR stands for Corporate Social Responsibility, which is understood by studying what companies give back to the society. It is done in the form of women empowerment, child education, protecting environment and providing medical facilities. Sometimes, these practices also help companies to take competitive advantage. On the other hand, consumer behaviour is the behaviour shown by the consumer at the time of purchasing. If we see in our society, 70-75% consumers are emotional in nature and are easily attracted by these promotional tools. This research paper examines the impact of CSR practices on consumer buying behaviour. Despite the increasing CSR, it is still one of the most debated topics, this research is aimed to determine interest in corporate social responsibility and its marketing practices, the role of CSR has little been explored in the area of stationery products and marketing. The major problem found by researchers is that a little group of society is aware about the CSR practices and their effects. Therefore, the present research finds (a) the relationship between corporate social responsibility and consumer preference and (b) consumers attitude towards corporate social responsibility practices-as a social welfare or as an advertising or promotional tool.

Keywords: Corporate social responsibility, consumer behaviour, brand preference, marketing.

Introduction

Business is needed to understand its social responsibility that the main task and objective for it is not to generate extra income and to become rich and transfer the money abroad, but to look and evaluate what a businessman has done for the country, for the people, on whose account he or she has become so rich. CSR stands for the Corporate Social Responsibility, which is understood by monitoring and evaluating that what a company give back t society in terms of welfare. CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others. In India, companies have a separate and specialized department of employees that are responsible for performing CSR activities. They formulate policies and strategies for their CSR programs and allocate budget for it. Sometimes, companies collaborate with non-governmental organizations (NGOs) use of their expertise to execute their programs.

Conducting a business in a socially responsible way is a good business. It means that it can attract better employees and that customers will know what it stands for and will adore business for it. A company performing CSR practices can benefit both by its reputation with the public as well as within the business community. They have rapidly growing access to capital that might not otherwise have been available. By performing their CSR practices they also satisfy customers in terms of price, quality, taste, availability etc. and gain competitive advantage with goodwill. It is truly said that their single term has both benefits and criticisms. The level of publicity associated with the concept of CSR creates an impression that the majority of businesses are seriously engaged in CSR related activities, whereas the reality is quite different. Critics say that CSR is an empty promise and merely an effective promotional tool. CSR leads to promotion of big businesses and MNCs in the society. Sometimes, companies are totally engaged in CSR that they forgot their actual business practices which give rise contradiction between CSR tendencies and business tendencies.

Nowadays, CSR has become the most crucial as well as debated topic in the market place. Despite that, a big percent of population is unaware of these practices and their actual meaning because the basic reason behind these practices is promotion and taking competitive advantage to maintain goodwill for the company. Only 5% - 10% companies are actually engaged in welfare practices. If we see in our society, 70- 75% consumers are emotional in nature and are easily attracted by these promotional tools.

Consumer behaviour is the behaviour exhibited by a consumer at the time of purchase. It is an integral part of human behaviour which is shown by him at the time of buying goods and services for personal consumption. It is a type of decision making process which involves the actions they take in the market place. Wants, needs, education, age, income, attitudes, habits, motives etc. are some factors that influence and determine consumer behaviour.

It is noted that CSR practices influence the consumer. As we know that most of the consumers get attracted towards the brands performing CSR practices only because of their emotional behaviour. Remaining consumers are rational and well aware that these are just only the promotional tools for maintain the goodwill in the market place. According to UK Small Business Consortium, "88% of consumer said that they were more likely to buy from a company that supports and engages in activities to improve society." This happens just only because of education. Nowadays consumers become more literate and understand about what actually Corporate Social Responsibility means. They think that if any company helps the society in the way of doing welfare so they would also like to help them even if paying the premium price for the product of the company. For example, ITC's Classmate stationery products are very famous in market because of their quality but the price is very high. But the basic reason behind the high price is that 2% of the price is goes their '*LET'S PUT INDIA FIRST*' campaign under CSR.

CSR Policy of ITC:

- i. To develop the required capability and self-reliance for beneficiaries at the grass roots, especially of women, in the belief that these are pre-requisites for social and economic development.
- ii. To pursue CSR programs primarily in areas that falls within the economic vicinity of the company's operations to enable close supervision and ensure maximum development impact.
- iii. To provide equal opportunities to beneficiaries of the company's CSR programs as vendors or employees on merit.

• Implementation:

To implement the company's CSR programs through company personnel or through external implementing agencies or through ITC Education Trust, ITC Rural Development, ITC Sangeet Research Academy, ITC Bhadrachalan Education Trust, Tribeni Tissues Education Society. In such cases, the company will specify the CSR programs which may be undertaken by those trusts in accordance with their objects and administrative and accounting processes laid down in the respective trust deeds/ memoranda and articles of association.

Need of the Study

The study on this topic has the principal purpose of developing a comprehensive research framework that will be used to explore if CSR influences ethical consumer behaviour. CSR has become a very common practice for the companies. By CSR practices, positive externalities are produced, as in the financing of technological transfer to local farming communities or school building. Consumers' responses to CSR have been less carefully analyzed in economics because there is wide gap between positive attitudes towards social responsibility and actual purchase behaviour.

Therefore, the main purpose of the study is to find out the level of awareness about CSR in consumers and to what extent consumers intent to purchase products with premium price in lieu of CSR.

Objectives

1. To find out the level of awareness of consumers about Corporate Social Responsibility practices.
2. To find out the relationship between CSR practices and Consumer preference.
3. To study the impact of CSR practices on consumer's buying behaviour.
4. To examine the attitude of consumer towards CSR- as a social welfare or as a promotional tool.

Literature Review:

Luo Xueming,(2007), The study develops and tests a conceptual framework, which predicts that customer satisfaction partially mediates the relationship between CSR and firm market value, corporate abilities moderate the financial returns to CSR and these moderate relationships are mediated by customer satisfaction. **A.B.Carroll (2007)** the study traces the evolution of the CSR construct beginning in the 1950's, which marks the modern era of CSR. According to Carroll, there are some alternative themes included corporate social responsibility which were included in corporate social performance (CSP), stakeholder theory, and business ethics theory. In 1990's, CSR continues to serve as a core construct but yields to or is transformed into alternative thematic frameworks. **SenSankar (2004)** the study identified that companies are devoting significant resources to corporate social responsibility, insights into the optimal formulation, implementation and effectiveness estimation of CSR strategies are currently scarce. Basically this article proposes a more complex, contingent model of consumer responses to CSR. **C.B.Bhattacharya (2001)**,the study identified that strong consumer company relationships often results from consumer's identification with those companies, which helps them satisfy one or more important self-definitional needs. He also emphasize on the conditions through which consumers enter into strong, committed and meaningful relationships with certain companies, becoming champions of these companies and their products. **Harris, Webb and Mohr (2001)** the study found out that companies are facing increasing pressure to both maintain profitability and behave in socially responsible ways. This article reports the findings from in- depths interviews of consumers to determine their views concerning the social responsibilities of companies.

Research Methodology

Research comprises "creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society and the use of this stock of knowledge to devise new applications." It is used to establish or confirm facts, reaffirm the results of previous work, solve new or existing problems, support theorems or develop new theories.

Research Methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them.

Research has a great importance. It inculcates scientific and inductive thinking and it promotes the development of logical habits of thinking and organization. The role of the research has greatly increased in modern times in several fields of applied economics whether business and economy as a whole. It also provides basis for making government policies. It also helps in solving various operational and planning problems of business.

Research Design

Research design is a map or blueprint or basic framework which provides guidelines according to which the research is to be conducted. It also specifies the methods of data collection and data analysis. Descriptive research design was adopted for this research because the study is based on demographic characteristics of consumers who use the product and their consumption preference.

Sampling Method:

Sampling unit: consumers and retailers

Sampling size: 50 consumers and 10 retailers

Sampling technique: Non-probability convenience sampling.

Sampling is the use of subset of the population to represent the whole population. There are two methods of sampling, one is probability sampling and another is non-probability sampling. In probability sampling, each member of universe has a known chance of being selected. Simple random, systematic samples, stratified samples and cluster samples are the methods of probability sampling. On the other hand, in non-probability sampling, the chance of any particular unit in the population being selected is unknown. There are three techniques of non-probability sampling: judgment, convenience and quota sampling. Performing non-probability sampling can be considerably less expensive than doing probability sampling.

In convenience sampling, the sampling units are chosen on the convenience basis of investigator. To sample friends, co-workers or shoppers at a single mall, are all examples of convenience sampling. Such samples are biased because researchers may unconsciously approach some kinds of respondents who volunteer for a study may differ in known but important ways from others.

Data Collection Method

There are two types of data that is available for researcher: primary data and secondary data. Primary data is generated when a researcher collects information by employing mail questionnaires, telephonic surveys, personal interviews, observations and experiments. Secondary data, on the other hand, include those data which is collected from some earlier research or by newspapers review, magazines etc.

Data for the present study was collected from both primary and secondary sources. Secondary data was collected through magazines, articles and journals. Primary data was collected through questionnaires. Two separate structured questionnaires were prepared for consumers and retailers.

Limitations:

Though this research has been conducted quite rigorously, still every research has some limitations. The present research has following limitations:

- Small sample size: the sample size of the present research is just 50 consumers and 10 retailers which is quite small because the scope of CSR practices is high.
- Method of sampling: convenience sampling method of sampling is opted for the research which is useful but suffers a lot of limitation that the equal chance of every individual being selected in the sample is limited.
- Composition of sample: the composed sample includes only educated consumers who are conscious about measures of the companies.

Findings:

Findings are based on the questionnaires that were circulated to the consumers and retailers.

Consumers (demographic factors):

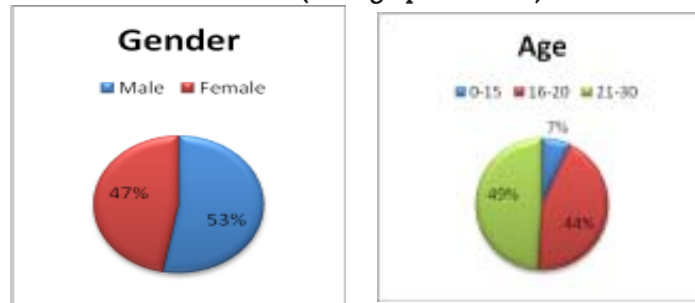


Figure 1.

Figure 2

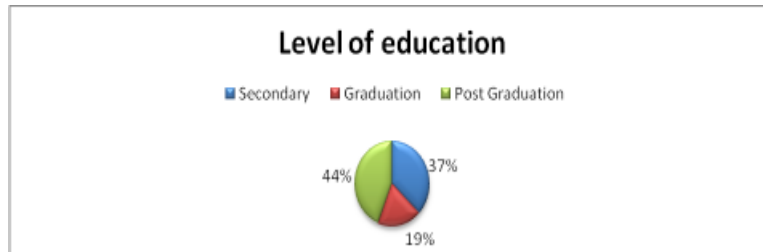


Figure 3

Fig.1 depicts that out of 50 respondents there are 26 males and 24 females.

Fig.2 depicts that out of 50 respondents there are 4 respondents are in the age group of 0-15, 22 are in the group of 16-20 and 24 are in the age group of 21-25.

Fig.3 depicts that out of 50 respondents, levels of education of 19 respondents are secondary, 9 students are graduate and 22 are post-graduate.

(Opinion on CSR activities)

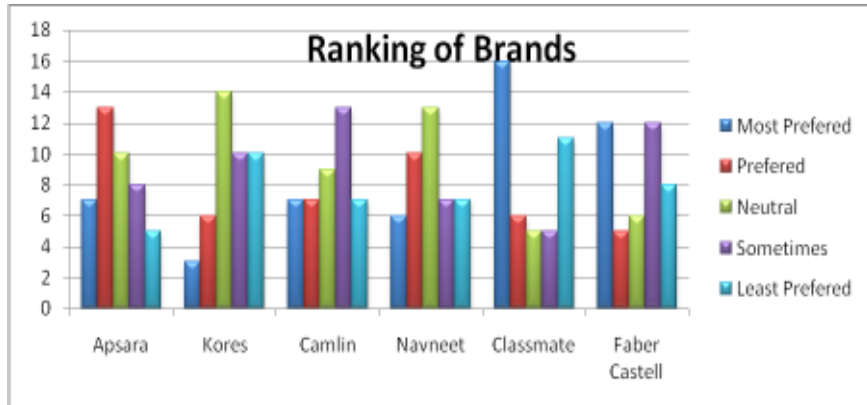


Fig.4 depicts that consumers prefer Classmate brand most for stationery products whereas Apsara brand of stationery is least preferred by them.

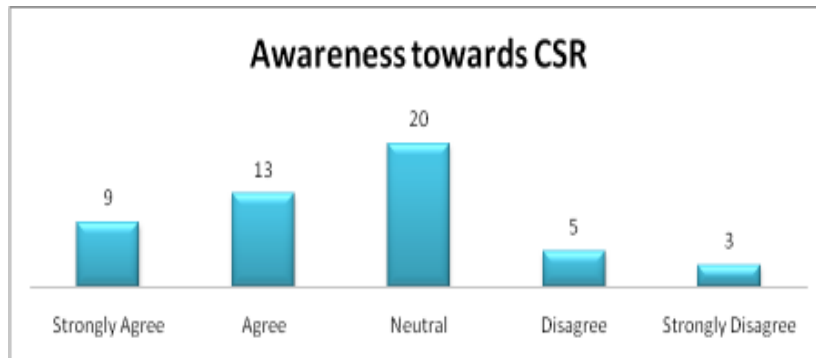


Fig.5 depicts that out of 50 respondents only 22 respondents are aware about CSR practices whereas 8 respondents are completely unaware about these practices. On the other hand there are 20 respondents are in the sample that are neutral towards CSR that they have no impact on them whether these practices are implemented or not.

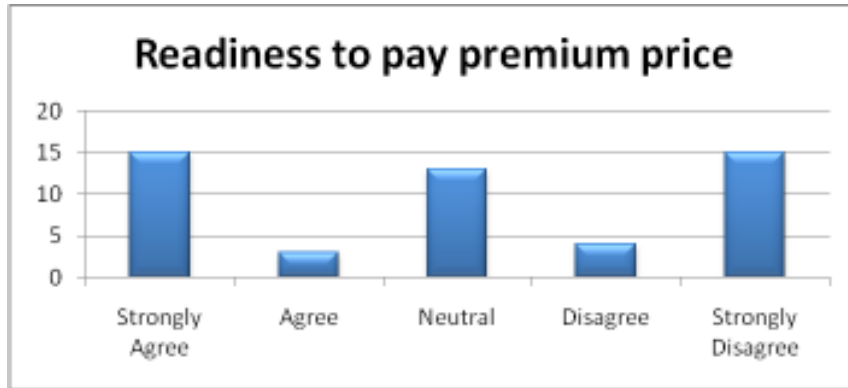


Fig.6 depicts that out of 50 respondents there is equal proportion of respondents i.e. 15 that are ready to pay premium price for CSR products and that think it is not worth. Whereas 13 respondents sometimes feel it a good practices and pay premium price.

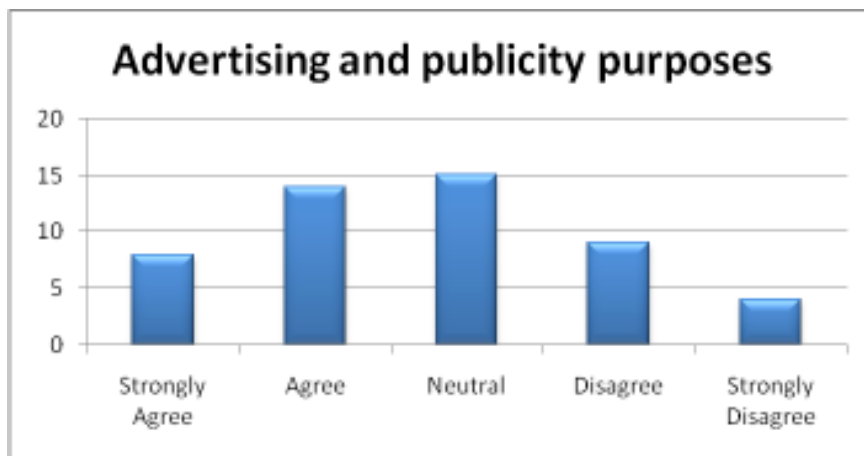


Fig.7 depicts that out of 50 respondents, 8 respondents are strongly agree that CSR practices are merely the advertising and publicity tools. On the other hand only 4 consumers think that Classmate truly performing CSR practices.

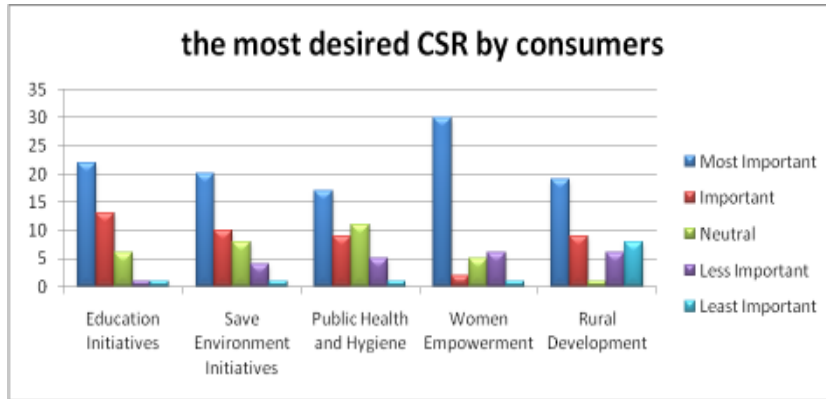


Figure 8 depicts that out of 50 respondents, 30 respondents feel that women empowerment is the most important CSR activity. According to them, education initiative is least important. They preferred public health and hygiene on second level. Thirdly they prefer environment initiatives and rural development both.

Retailers:

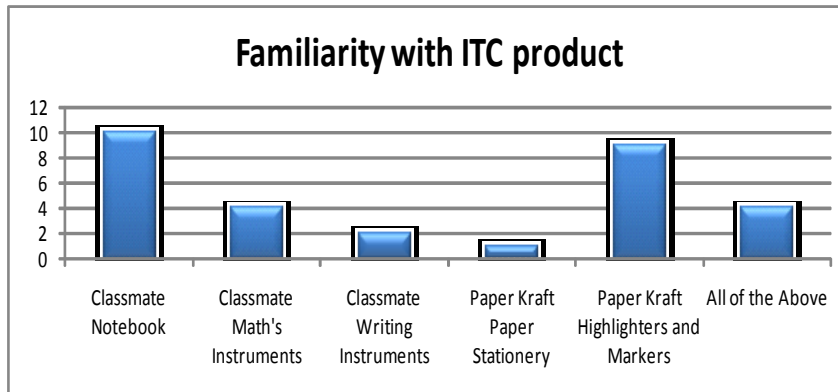


Fig.9 depicts that all the 10 retailers are dealing and are familiar with classmate notebooks, only 4 retailers are familiar with classmate math's instruments, 2 retailers deal in classmate writing instruments, only 1 retailer is engage in paper kraft stationery whereas 9 retailers are familiar with paper kraft highlighters and markers. The data show that out of 10 retailers only 4 are those that are familiar with all the products.

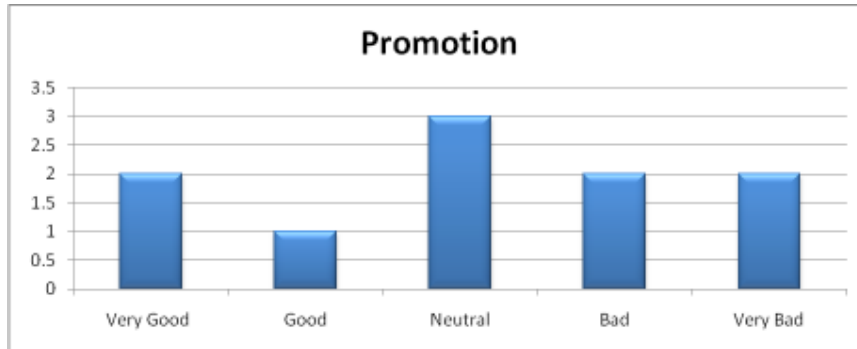


Figure 10. The following fig.10 depicts the promotional support of ITC to supplier. Out of 10 retailers, 2 retailers say that it is very good whereas 2 are saying it is very bad. 3 retailers considered as neutral. Only 1 retailer considered their support as good.

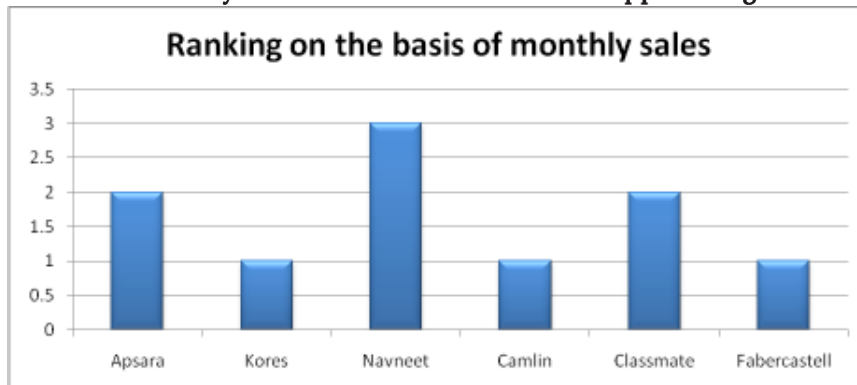


Fig.11 depicts that 30% retailers rank navneet as the highest selling brand. 2% retailers rank apsar and classmate. Whereas only 1% retailers rank kores and faber castell. It shows that navneet is the highest selling brand and kores and the faber castell are least selling brands.

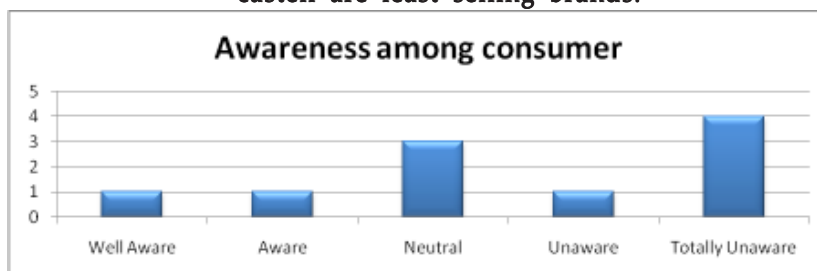


Fig.12 clearly shows that according to retailers 40% society is totally unaware about CSR, their practices and about any campaign of ITC. Only 1% society is well aware about CSR practices which are also ready to pay premium prices for the products.

Conclusions and Suggestions

From the above findings it has been concluded that towards the CSR practices level of awareness among the society is very less. They even don't know about the campaign of ITC that is implemented for CSR practices. Majority of consumer's view that CSR practices are merely an advertising or promotional tool and there is no impact of CSR practices on consumers. Consumers strongly disagree to pay a premium price for such products that are engaged in CSR practices. On the other hand, the consumers think that if a company is engaged in CSR practices and it really gives back to the society then they should pay much more attention to women empowerment and environmental issues and much more.

From the above findings it is suggested that the company should make awareness among its consumers regarding their CSR practices. The company should hold campaigns to make awareness about its practices.

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