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IMPACT OF CSR INITIATIVES ON CONSUMER BEHAVIOR

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ABSTRACT

Corporate social responsibility (CSR) is a form of corporate self-regulation integrated into a business model. The primary objective of CSR activities is to create a positive impact on the environment, community, employees, customers, suppliers and other members who impact and are impacted by business. The present study focusses specifically on consumer attitudes towards CSR. This study has been conducted on a sample group of 100 consumers, male and female, who belong to different age groups and who are at different stages in their life cycle. It tries to throw light on consumer awareness of this concept, their expectations from businesses, the role CSR plays in their buying decision, the negative activities that consumers consider unacceptable and may resort to boycotting products, the need for communication CSR initiatives by companies to their current and prospective consumers and even consumer skepticism towards CSR oriented companies. In this age of superior technology where information travels like the speed of light, it is important for companies to adopt the right business practice that increases their reputation and credibility in the eyes of the most important stakeholder – the customer. CSR practices become a point of differentiation for company and enable it to position itself right in its target market segment.

KEYWORDS

Corporate Social Responsibility, Stakeholder Theory, Triple Bottom Line, Differentiation Strategy.

INTRODUCTION

In the words of Peter Drucker, "The 21st century will be the century of the Social Sector Organization. The more economy, money and information become global, the more the community will matter." The term "Corporate Social Responsibility" (CSR) came in to common use in the late 1960's and early 1970's, after many multinational corporations formed. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. A business succeeds on innovative ideas, good decisions and implementation of the above. CSR encourages companies to carry out these basic business practices keeping in mind the protection and promotion of international human rights, labor and environmental standards and legal and ethical requirements. While obligations to these stakeholders are sometimes considered to be motivated by organizational self-interest, the ethical perspective asserts the rightness or wrongness of specific firm actions independently of any social or stakeholder obligations. Customers are key stakeholders that help establish the firm's reputation and identification. Among all the market stakeholders who assist a business in providing goods and services are consumers who are vital to the very existence of a business.

LITERATURE REVIEW

According to the EU Commission [(2002) "...CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." There are two schools of thought on CSR, the Shareholder Concept and the Stakeholder Concept. According to the Shareholder Concept, management's only social responsibility is to maximize profits. Milton Friedman (1962) maintains that there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. The Stakeholder Concept emphasizes that all stakeholders – groups that affect and are affected by an organization's policies, decisions and operations – interests must be considered for long term sustainability. The term stakeholder came into practice only after it was popularized by Edward Freeman (1984). As demonstrated in Carroll and Buchholtz's (1996) Pyramid for Social Responsibility, there are four responsibilities that every business is expected to fulfill – Economic, Legal, Ethical and Discretionary from bottom-up in that order. Firms performed really well if they voluntarily developed social responsibility measures instead of being forced by law (Bryan Husted and Jose de Jesus Salazar, 2006). More recently, recognition of CSR initiatives has increased dramatically. Companies today are adopting CSR practices to an extent of it being a fad (Guthey, Langer, & Morsing, 2006). The pharmaceutical giant Bristol Myers Squibb has been ranked no. 1 in the Corporate Responsibility Magazine's list of the "100 Best Corporate Citizens" for the year 2012, not to mention that it has consistently figured in the top 10 in the past 5 years. Companies like IBM, Nike and Johnson Controls figure in the top 10. It may be remembered that Nike had been embroiled in cases of child labor in its overseas factories in Asia. Hence there a theory that CSR is being used by companies in order to cover up their flaws or past mistakes.

STATEMENT OF THE PROBLEM

Even though CSR has attained great popularity heights in recent times, there is not enough research to suggest the positive response that consumers are willing to give it. Unless CSR initiatives have a positive impact on consumers chances are that organizations would not take proactive measures to design and implement policies and programs relating to it. Hence it is imperative to find whether consumers are self-centred and are looking for the usual price, quality and personal benefits from goods and services or whether they are willing to go the extra mile and look at how the organisation impacts other facets of society.

SCOPE OF STUDY

The study is limited to Indian expatriates who are residents in Dubai, which is the commercial capital of the United Arab Emirates. Respondents are from both genders, age groups from 15 to 50+ and catering to earning family income of Dhs. 240,000 and above p.a.

OBJECTIVES OF THE STUDY

- To assess the awareness of consumers about CSR
- To assess the importance consumers give to CSR in their purchase decisions
- To assess the negative corporate practices that lead consumers to alienate themselves from such companies and impose sanctions.
- To assess if consumers are interested are knowing about CSR initiatives that their favourite brands and companies are involved in

METHODOLOGY

The data that is needed for this research have been taken from both primary and secondary sources. Questionnaire is the instrument that is used to collect information from 100 respondents. Journals, magazines, corporate websites and management books have been sources of secondary data. The information has been analysed qualitative and quantitatively through charts and graphs to arrive at the findings and recommendations.

SURVEY RESULTS AND ANALYSIS

The effect of the usefulness of CSR activities can be understood only if it is used strategically for business development purposes. Some companies have very little CSR initiatives but their proper marketing strategies give them a significant boost compared to some other companies who involve themselves in many socially responsible practices but fail to make their consumers aware about it. Today's market is a very consumer-oriented one. The consumer is rightly known as the king of the market. Hence, for an organization to succeed it is extremely important that it understands the needs, wants, likes, dislikes, motivation and factors that affect the overall purchase behavior of its consumer base. It is essential that a business corporation understands the effect its business practices has on consumers and stakeholders. Similarly when CSR is used as a business development strategy, it is vital to comprehend its effect on consumers. Hence, a questionnaire targeted for a convenience sample group has been framed and the findings and analysis of the survey would be evaluated below. The sole purpose of this survey is to investigate the missing link between consumer perception of a company's socially responsible practices and their intentions to buy products marketed by that company. To test this hypothesis, a survey was conducted among a group of people, majority of which were either clients of retail chains or FMCG (Fast Moving Consumer Goods) stores. For the purpose of the survey the sample group was divided into various groups based on demography and occupation.

SAMPLE SIZE AND DEMOGRAPHICS

The total sample size for the survey is 100 Indian expatriates – 40 males and 60 females - who are residents of Dubai. The entire sample group had been divided into four distinct age groups as different ages and stages in life cycle bring about different perspectives in the minds of a consumer. It is clear from the graph below that majority of the sample population (65%) consisted of students and young professionals between the ages of 15-25. The number of people within the age group of 25-35 and those in the 50+ age group are the same (15%). The least sample size (5%) is of that group of people whose ages lie between 35-50 years.

TABLE 1: DEMOGRAPHIC DISTRIBUTION OF SURVEY TAKERS

Age group	Percentage
50+	15%
35-50	5%
25-35	15%
15-25	65%

CSR AWARENESS

In order to understand whether an organization's CSR activities has an impact on the consumers purchasing behavior it is mandatory to know whether the consumers are aware of what CSR stands for, hence the question about general awareness of corporate social responsibility initiatives and the source of their knowledge. Those who were aware of CSR initiatives were then further asked where they came across the term. The sources could be print media, television, Management journals, books, company literature etc. The graph in Fig 2 indicates that around 75% of the sample population is aware of the term CSR. It is vital for businesses to know whether their potential consumers are aware of what CSR initiatives actually mean. CSR can be effectively used by a company as a business development tool only if it is marketed well to their consumers and stakeholders such that it creates a positive impact on them. It increases their faith for the brand. Hence, if customers are not aware of effective CSR measures then companies need to do the needful. Survey again shows that ¾ (75%) of male population is aware of CSR initiatives while 2/3 (roughly 66%) of females are aware of the term CSR. Hence, companies can effectively take measures to improve CSR awareness among females. This can be done more so by companies producing products that are likely to catch female attention like beauty products, cooking accessories, food articles etc. Figure 3 is a column graph indicating that the awareness of CSR initiatives is optimum (almost 100%) in the age group of 35-50 years. A valid reason for this can be that people within this age group are well settled. Many of them may even be part shareholders of some companies and hence, they would know of the CSR initiatives associated with that particular organization through company literature or AGMs (Annual General Meetings). Following that is the sample population within the age group of 25-35 years (84.61%). This age group mainly consists of students and fresh graduates. Today students and young adults are socially aware about their environment not just through academics but also through social media.

TABLE 2: DEMOGRAPHIC DISTRIBUTION OF THOSE AWARE OF CSR INITIATIVES

	Age group	Percentage	Gender	Number of respondents	Percentage
Aware of the meaning of CSR	50+	64%	Male	30 out of 40	75%
	35-50	100%	Female	40 out of 60	66%
	25-35	44%	Male	10 out of 40	25%
	15-25	84.6%	Female	20 out of 60	34%

OUTSTANDING CSR INITIATIVES MENTIONED BY RESPONDENTS

An open-ended question wherein respondents were asked to mention pioneering CSR initiatives by local and international organizations elicited considerable response. Case studies of such exemplary CSR initiatives give top management a chance to see what strategies competitors' adopt and what strategies would suit their own corporate goals. In today's highly competitive and dynamic market it is important to understand competitor strategies and change our course of action accordingly. A few cases are:

- Commercial Bank of Dubai (CBD) extends its helping hand in spreading public awareness about benefits of recycling. CBD supports events like 'Clean up UAE' to create awareness about the indiscriminate use of resources and irresponsible disposal of waste material. It was the main sponsor of the 'Clean up UAE' campaign held in Abu Dhabi on 12th December, 2010 by the Emirates Environmental Group.
- Emirates National Oil Company (ENOC) in Dubai continues to promote Go Green, a waterless car wash initiative wherein cars are cleaned and shined without using a single drop of water, thereby saving precious resources and preventing detergents from polluting the environment.
- The TATA group puts special emphasis on environment and the ecology. A trust fund, among other things, supports activities like conservation of natural resources, conservation of forest and sanctuaries. The TCCI (Tata Council for Community Initiatives) undertake community development programs involved

in health, education, woman-child welfare, income generation and other initiatives that is communicated to stakeholders through 'Code of honor', a special edition of the TATA Review.

- Wipro has three thrust areas in CSR: Education, Environment and Energy Efficiency through Wipro Cares and Eco-Eye
- Coca-Cola had combined with World Wildlife Fund yet again to protect polar bears in the Arctic region apart from continuing to support improvement of water resources across the world.
- Starbucks Coffee places special emphasis to ethical sourcing i.e. doing fair trade of coffee by making fair payments to coffee growers while also carrying out commercial recycling of wastes.

CONSUMER PURCHASE BEHAVIOR

To get a smooth start on the survey the consumers were initially asked about their shopping preferences. This was a necessary question for two reasons. Companies get a rough estimate as to what products consumers like to buy. Hence, they can effectively use their CSR strategies specifically on those products to further improve their appeal. For e.g. fancy stationary is a favorite among school-going children. ITC's notebooks are a big attraction to kids due to their paper quality and neatly bound covers. At the same time its price is a little higher compared to regular brand notebooks. But ITC has a conditional donation policy. On the purchase of every ITC notebook Rs. 1/- goes to an Indian NGO organization CRY (Child Relief and You) which primarily secures the basic rights of Indian unprivileged children. Hence, parents may decide on paying a slightly higher price for the notebook if it is attached to such a noble cause.

For this particular survey consumers were asked to give their preferences in five different categories. They are grocery, clothes and apparel, electronic gadgets, automobiles and Furnishings and art. The results of the table (Fig 3) show that majority of the sample population is interested in buying clothes and apparel. The second position is secured by electronic gadgets. Automobile, groceries as well as furnishings and art items are clearly not consumer favorites and have the same percentage in the table below.

TABLE 3: CONSUMER PURCHASE BEHAVIOR DISTRIBUTION

	Preference in purchasing	Weekly / Fortnightly	Monthly / Bimonthly	Yearly	Further than a year
Grocery	5%	66%	32%	4%	-
Clothes and apparel	45%	14%	55%	9%	-
Electronic gadgets	40%	2%	24%	50%	24%
Automobiles	5%	-	-	-	100%
Furnishings and Art	5%	-	-	12%	88%

Following this an analysis is done in order to find out the frequency of these purchases. As mentioned earlier, frequency of purchases gives organizations a hint about products or services that should be concentrated on while devising CSR policies. Moreover an estimate of product purchase frequency prior and post of the launch of a major CSR initiative by a big brand also helps companies to evaluate the impact of this initiative on their customers. But change in purchase behavior can be influenced by various other factors. Hence, they should not completely rely on these statistics for evaluating the effectiveness of their CSR program. Fig 5 shows that although electronic gadgets are one of the most sought after items, most people prefer to buy them at a less frequent rate. Half of them have selected 'once a month option' while the others have gone for the once a year option. This can be due to difference in earning capacities of different people. More so it can also be attributed to the longevity and the price of certain gadgets that does not allow purchase on a frequent basis. A majority of people prefer the purchase of clothes and apparel on a monthly basis (55.55%) and then followed by fewer people (22.22%) who purchase it once a fortnight. This indicates that the textile industry can efficiently plan their social responsibility goals. They can include measures such as donating a certain percentage of the product price for charity. Companies can come up with more innovative ideas such as producing certain clothes from ways which are environmentally favorable. And more so they should be able to attract a specific consumer group who is ready to pay a higher price to buy such products just because they are produced in an environmentally friendly manner. From the survey it is seen that not many people enjoy grocery shopping. It seems more like a chore. Also, groceries fulfill our daily needs. Hence, most people would prefer buying goods and services that are superior in quality, lower in price, easy to access etc. Not much attention would be given to the corresponding CSR initiatives of the brand. The other two commodities including automobiles and furnishing and arts are commodities that are not purchased at a very regular frequency. Hence whenever they purchase consumers would be less interested in looking at the corporate social responsibility matrix of the brand. Yet, the automobile industry has a huge scope for environmentally conscious business practices. Demand for automobiles with lower emissions, electric vehicles (those not running on combustion engines), hybrid vehicles etc. is constantly rising over the years. Tesla, a US- electric car manufacturer has come up with a new car model called the 'Roadster'. Tesla's Roadster has a very high price tag compared to other cars. But at the same time it has a US Environmental Protection Agency (EPA) rating of 135 which makes it atleast three times more efficient than usual hybrid cars.

ASSESSMENT OF CRITERIA AFFECTING PURCHASE DECISION

While seeking a particular product or service consumers consider a lot of factors. A product can be ranked good or bad based on a number of criteria like quality, price, reliability, availability etc. Also, the ranking differs from person to person. The primary purpose of this survey is to find out whether socially responsible business practices have an impact on consumers or not. Hence, one more factor was added to the ones mentioned above, namely, CSR initiative by the respective company. It is necessary to know the importance that CSR initiatives get in comparison to other factors like price, quality, reliability, physical appearance etc. As shown in Fig. 4, 75% of the sample population gives maximum importance to product quality and reliability. Around 40% of people consider physical appearance the most important factor in their purchase decisions. It is then followed by price. 35% of the sample population considers price as a very important deciding factor. Around 30% of the sample population is more brands conscious and have given maximum importance to brand value. It is very clear from the graph that CSR initiatives are hardly given any importance in comparison to other factors. Only 5% of the sample population feels that the social responsibility initiatives can also be an important criterion for product selection.

TABLE 4: DISTRIBUTION OF DIFFERENT FACTORS CONSIDERED WHILE PURCHASING A PRODUCT

Company Brand Value	30%
Price	35%
Product Quality & reliability	75%
Aesthetic appearance	40%
CSR initiatives by the company	5%

Following this analysis, further analysis was made of the varying importance level of CSR itself. Survey takers were asked to compulsorily consider CSR as a factor in their purchase decision. They were then asked to rate the level of importance they give to corporate social initiatives while purchasing products/services of the brands of which they are regular clients. The rating was done on a scale of 1 to 5(1 being most important and 5 being the least). The results can thus be displayed in the form shown below. Out of the entire sample population only 5% thinks that corporate social initiatives is the most essential parameter in purchasing decisions. Around 20% think it is more important than many other factors and greatly influences purchase behavior. Majority of people (40%) think that it is important but there are other factors which have greater significance. 25 % of the sample population thinks that it is not an important factor and they give it lowest priority while purchasing goods and services. And finally, the remaining 10% sample population gives it least importance. They do not think of considering CSR initiatives at all in their purchasing criteria.

BOYCOTTING GOODS AND SERVICES

As important as it is for companies to identify criteria that motivate consumers to opt for a brand, it is equally important, if not more, for companies to identify what activities they should avoid so as not to incur wrath of consumers. Respondents were asked as to which of the following activities clash with their ideals and hence would instigate them to boycott the company's products.

TABLE 5: PRIORITIZING ACTIVITIES THAT FORCE CONSUMERS TO ALIENATE THEMSELVES FROM BRANDS

	First priority	Second priority	Third priority
False and misleading advertisements or information	13%	19%	45%
Incompatibility between price and quality of products	31%	41%	22%
Unethical work practices in supply chain	-	8%	4%
Infringement on consumer privacy	-	5%	16%
Instances of violation of law	56%	28%	13%

Fig 5 indicates that consumers give top priority to adhering legal rules and regulations and would not tolerate companies that break law. Wherever companies charge high products that do not offer value for money, it signals the end for the company's products. It is a question of providing satisfaction by delivering whatever is being promised and meeting consumer expectations. If a company defaults in this aspects, consumers may not willing to forgive easily. Consumers consider misleading information and false advertisements as a demotivating factor for supporting an organization's products. Even though there are legal regulations that a consumer can turn to for assistance, it is not every consumer who turns to consumer courts and Consumer Protection Act for recourse. They would rather boycott the goods and services of a company or bad mouth the company which would permanently damage the credibility and reputation of a company. The relatively low priority given to unethical practices in supply chain and infringement on consumer privacy may be due to the fact that consumers are unaware of the implication of such practices or reporting of such practices is uncommon in the sample group circle. In the US, consumer groups had boycotted Nike's products because of child labor and other unethical practices that Nike's manufacturing units in China were involved in.

In addition to this 66% of consumers have responded that they will boycott good and services of a manufacturer who is involved in even one of the above mentioned activities, 27% will boycott if their company of interest is involved in two of these activities, and 7% feel that three or more activity involvement may force them to apply sanctions to the company products.

WHAT IF CSR COMES AT A HIGHER PRICE?

One question in the survey was targeted at knowing how consumers react to high price tags on their favorite products/services simply because their respective brands are involved in socially responsible practices. For this they were given a hypothetical situation. They were asked to consider two companies, Company A and Company B, both marketing the same product of the same quality. Company A is involved in CSR activities and charges a little bit higher for its product. While company B is not involved in any such activities and provides its product for a cheaper price. Customers had to then select the company that they would approach. The results of this question would explain whether consumers would be willing to pay a higher price for the fulfillment of CSR initiatives or not. 45% of the sample population is willing to pay a higher price for social initiatives. This can be considered a very positive sign. Generally, there can be many other parameters that consumers would consider before paying extra for it. Sometimes the decision is best in the present circumstances but may not hold for long term. For e.g. a consumer who is very loyal to a particular company may pay a bit higher or even be involved in philanthropy if the company is willing to provide some monetary help for the development of Tsunami – struck Japan. But if the company starts charging a higher amount on a regular basis for on- going CSR initiatives then the consumer would not be willing to pay an extra amount when he can get the same services at cheaper rates from other brands.

CONSUMER SUPPORT FOR VARIOUS TYPES OF CSR ACTIVITIES

The next question in the questionnaire was about the kinds of corporate social initiatives. It was a multiple choice question wherein consumers had to select one CSR activity that they would support the most. The various choices included were as follows:

TABLE 6: BREAKUP OF CONSUMER SUPPORT FOR VARIOUS ACTIVITIES

Activities catering to employees security and welfare	15%
Activities having a positive impact on the environment and community	11%
Supporting causes like HIV, Polio and natural disasters like Tsunamis, earthquakes etc.	12%
Adopting a code of business ethics across organizational functions	18%
Providing information for consumers to take educated and Protecting consumer interests and privacy in the digital age	32%
Adopting principles of good corporate governance	12%

This gives an indication to companies on the kind of CSR initiatives that would help them generate publicity.

CONSUMER WILLINGNESS TO LEARN ABOUT CSR

It was observed that many consumers who were loyal to a particular brand for its products/services were unaware of the fact that their favorite brand is involved in many sorts of socially responsible business practices. It is not common practice among most companies to communicate their CSR practices to their stakeholders, especially consumers. Hence, participants were asked if they would be interested in knowing about these initiatives or they would consider it as spam mail. The result indicates that 85% of the sample population would be interested in knowing about such activities while 15% would not be willing to get informed.

As a corollary to the above question, participants were then further questioned about the impact of awareness of these activities on them. It is necessary to know the manner in which consumers are affected once they are aware about the social initiatives that their most desired brands are involved in. The aim of including this question was to find out if this information brought any change in their purchase decisions. Majority of them included one of the following responses in their answer:

- It would bring a positive change in attitude towards the company
- Increase in the purchase of products and services.
- Increase faith in the brand.
- Skeptical of the effectiveness of the program and the motive.

IMPACT OF SURVEY ON INDIVIDUAL'S PERCEPTION OF CSR

The sole purpose of including this question was to assess if the survey made consumers more vigilant about CSR and if it would bring about any change in their purchasing behavior. The results of this question are shown in the graph below. Around 90% of the population replied affirmatively. But out of those who replied positively only 45% agreed that the survey would bring about a change in their purchase pattern. Out of the remaining 10%, half of them required more information on corporate social responsibility to make any changes. And the rest 5% were indifferent to the survey. The survey made no difference to their purchasing decisions.

TABLE 7: ASSESSMENT OF RESPONDENT'S PERCEPTION AFTER SURVEY

90% gave their verdict that the survey had increased vigilance towards CSR	Will have a positive effect on consumer behavior	45%
	Will have a positive effect but not much change in purchase pattern	30%
	More information required about CSR to incorporate changes in buying pattern	10%
	Survey made no difference	5%

KEY FINDINGS

- Majority of the consumers across age and gender are aware of the term CSR.
- Consumers consider other factors like quality, company/brand value, physical appearance, reliability etc. much more important than corporate social responsibility measures.
- A particular segment of knowledgeable consumers may even be willing to pay a higher price for products/services because of the company's ethical policies or involvement with CSR initiatives.
- Majority of consumers support activities that have a positive impact on the environment and community.
- Most consumers are willing to know more about CSR initiatives of their preferred brands/companies.
- Few consumers are intelligent enough to question the motives of companies that back CSR.
- A sizeable number of consumers know about local and international companies that are involved in CSR and age old philanthropy practices.

RECOMMENDATIONS

Corporations must accept their consumer as an important and primary stakeholder who plays a major role in improving sales and in turn the company's bottom-line.

Corporations must align their CSR practices with their overall corporate goals and business strategies.

Corporations need to associate themselves with the right kind of NGOs that help to channelize their resources effectively and efficiently.

Companies must communicate their CSR initiatives to their consumers, among other stakeholders, through every possible way.

Companies must not resort to CSR gimmicks as consumers tend to see through them which will affect their credibility in the long run.

CONCLUSION

Corporate social responsibility is a regulatory mechanism wherein companies go beyond their main aim of making profit. In a crowded marketplace, a company's unique selling proposition that can differentiate it from competition in the minds of consumers is CSR. CSR can play a major role in building customer loyalty based on distinctive ethical values. Among all the external stakeholders it is customers who wield power over an organization by deciding to buy or boycott the company's goods and services which in turn affects the organization's survival and growth. Several major brands, such as The Co-operative Group, The Body Shop and American Apparel are built on ethical values. Business service organizations can benefit too from building a reputation for integrity and best practice. Companies need to continuously innovate and formulate various business strategies in order to survive and grow and one proven model is through CSR. This survey is an attempt to assess consumer opinions and ideas about CSR to enable companies to formulate effective business strategy. The present survey can be extended to other groups of stakeholders such as employees, potential investors, creditors etc. All across the world social expectations are changing. People expect business to not just make profits but are also keen to know the methodology adopted by a business in making these profits. Business is expected to be on the right side of law and balance its social, legal and economic obligations to multiple stakeholders. The key to business survival is this ability to adapt effectively to changing conditions in the external environment.

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