



RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND CONSUMER BEHAVIOUR

DR.N.Ravisankar

Associate Professor, Department of commerce and Management, SSBN Degree College Anantapur.

Abstract

Businesses can no longer sustain by focusing only on their businesses. Stakeholders expect a lot more from them; they expect the companies to be a “good corporate citizen” concerned with human and social welfare. Corporate Social Responsibility or the CSR has gained attention of the researchers, academicians and practioners all over the world and its significance and influence on different aspects of business performance is a major concern. This paper attempts to study one such relationship i.e. between CSR and consumer behavior. In understanding so, we first look into the concept of CSR, its evolution and impact on different business spheres by analyzing the previously developed theories, models and studies related to the subject matter in the following sections of the paper.

Keywords: *Corporate Social Responsibility, Consumer Behavior, Purchase Decisions, Consumer Social Responsibility.*

Introduction

Businesses have always existed to serve customers and their prime responsibility is to satisfy all their needs and wants. For years, corporations have worked consistently to improve their customer services and become aware of all their desires and become their only preferred choice. But as markets have grown and become more mature the expectations of all the stakeholders, including the consumers have risen. They are no longer the profit making entities but have a greater responsibility and accountability towards environment, government and society at large. Companies have realized their obligations to the society in terms of responsible business practices, and are trying to become good corporate citizens by taking their economic, ethical, and altruistic responsibilities (Louche, Idowu & Filho, 2010).The discussions and debate on Corporate Social Responsibility (CSR), has gained momentum worldwide and has become a topic of great interest for the researchers, academicians, practioners and business managers. In pursuing their business endeavors, companies and managers now have assumed greater responsibility towards society and the environment where they are operating and at the same time using and applying it as a marketing tool to help create a competitive advantage. Over the time, different researchers and organizations have developed varying definitions of CSR which have broadened its scope. The European Commission (2011) defines CSR as “the responsibility of enterprises for their impacts on society”. More specifically, the responsibility of corporations includes the integration of social, environmental and ethical issues as well as human rights and consumer concerns, into their business operations and core strategy in close collaboration with their stakeholders. In the wake of rising awareness and consciousness about corporations’ behavior, consumers have also started to reward this behavior. They value the firms more who indulge in good corporate practices. As suggested by, Creyer and Ross (1997) customers do indeed expect socially responsible behavior from companies. The image of the corporate as a socially responsible citizen can also have a significant influence on the purchase behavior, choice of brands, products and services a consumer chooses and his level of satisfaction and loyalty with the brand and company choice. The following sections of the paper discuss the concept and evolution of CSR, the consumer behavior and the relationship between CSR and consumer behavior.

Objectives of the Study

1. To understand the concept and evolution of Corporate Social Responsibility (CSR).
2. To understand different aspects of Consumer Behavior.
3. To study the relation between CSR and Consumer behavior and its impact on consumer decision making.
4. To understand the concept of Consumer Social Responsibility



Research Methodology

This is a conceptual paper based upon secondary resources only. The nature of research is purely descriptive. The research is based upon the previous studies related to the subject matter. The information, facts and figures and other relevant data have been collected from sources like, journals, newspapers, e-sources (websites, blogs, research articles, online publications etc.

Literature Review

Corporate Social Responsibility

In the past few decades we have seen an increasing interest of both business and academic community to pitch for the greater responsibilities of the corporate for the good of the society. Every business derives resources whether physical or human from the society and therefore must be accountable to repay them. Like in the words of, Andreasen & Drumwright (2001), organizations by their very existence can be viewed as entering into a social contract that obligates the corporation to take the interests of society into consideration when making decisions. So, in a way we can say that the corporate had a social responsibility since inception and shall continue to have forever. However, a seminal work on CSR by, Carroll (1979) presented corporate social responsibility as a construct that "encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time." It is suggested that the organizations must assume the above mentioned four responsibilities not as an obligation but a voluntary acceptance to ensure the welfare of all the stakeholders of the business. Carroll (1991) proposed four levels (pyramid) of CSR: economic, legal, ethical and philanthropic responsibilities.

1. Economic, fundamental layer of the Carroll's pyramid. Corporations expect to maximize their earning per share and make all the possible efforts to maximize, survive and grow in the markets.
2. Legal, it is the second layer in the pyramid whereby firms are required to adhere to all the laws and regulations prevailing at the point of time. Legally responsible also reflects the "codified ethics" of business operation, as well as the pursuit of economic responsibilities set by lawmakers (Carroll, 1991).
3. Ethical responsibility follows legal responsibility layer, whereby firms voluntary do things for the good of the society. These are not codified into any laws or regulations but are the choice of individual firms. But an issue here is, as soon as any firm follows such practice, public expectations change very rapidly and to meet these ever growing and changing demands, business may not be enthusiastic to take such initiatives.
4. Philanthropic, here the objectives of the firms are to become a good corporate citizen by aiming the good for one and all. They aim human and social welfare, thereby building goodwill for their organizations. Philanthropic responsibility distinguishes itself from ethical responsibilities by sense of discretion. The public will not regard firms that fail in fulfilling philanthropic responsibilities as unethical because philanthropic is not in the fields of ethics and morals (Carroll, 1991).

Mohr, Webb and Harris (2001) defined CSR as "a corporation's commitment in minimizing or eliminating any harmful effects and maximizing its long-run beneficial impact on society." Becker-Olsen et al. (2006) also argued that firms need to be selective when practicing CSR. It is not that every CSR initiative will have a positive impact on costumers and society at large, therefore CSR initiatives need to "fit" with a firm's specialization and strengths. They should be aligned with a firms product lines, brand image, position etc. The Companies Act, 2013 has introduced a provision on CSR. Under this, Ministry of Corporate Affairs has notified Section 135 and Schedule VII of the Companies Act as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CRS Rules) which has come into effect from 1 April 2014. As per the provision, every qualifying company (either on the basis of net worth ,turnover or profit) requires spending of at least 2% of its average net profit for the immediately preceding 3 financial years on CSR activities. Even if the law does not specifically state the provisions, it is in the good interest of the companies to follow such practices because they have an influence on their stakeholders and can become an effective strategy tool.

CSR-A Competitive Strategy

Researches in the past indicate that CSR not only enhances the non-financial performance of the corporations but also has impact on their financial performance. Cochran & Wood, 1984; McWilliams & Siegel, 2000; Tsoutsoura, 2004, studied the relationship between CSR and corporate financial performance, but no widely agreed



conclusions have been drawn. A cost benefit analysis must be carried out by the managers to evaluate the effectiveness of their CSR activities. The oppositions may come from individual investors who perceive such activities to be a compromise in their share of profits whereas; institutional investors will favor socially responsible firms. CSR can also help firms to achieve a competitive advantage, superior and stable than the competitors. It can help them to attract more customers, employees and business partners. The firm is likely to benefit more as the resources will be available to them easily as compared to their competitors and will lead to many other strategic advantages. The business of CSR is not a zero-sum activity between business and the society, business can also benefit from CSR initiatives (Porter & Kramer, 2006).

CSR and Consumer Behavior

Consumers are the reason for existence of any business firm. They are the users of their goods and services, hence it is important for them to realize the needs and perspectives of the consumers. Consumers value the initiatives of the firms and have a more positive outlook for firms which are more socially responsible. They reward and punish firms accordingly by choosing or exhibit aversion to firms' products (Mohr et al., 2001). Different researchers over the years have conducted various studies to analyze the impact of CSR initiatives of companies on their customers and have found varying results. Some studies show that increase in CSR has positive influence on customers and play a role in deciding about the product and service choice. According to Lafferty, Barbara and Ronald (1999), a positive corporate image is positively correlated to purchase intention and also helps consumers to differentiate between companies and their product or service offerings. Mohr et al. (2001) conducted a consumer interview project for investigating the impact of firms' CSR on consumer behavior. They tried to find out how well the customers are aware of the CSR initiatives of the firms and what are their responses towards them. Mohr et al. (2001) found that consumers are positive to business in general. Their response is more positive towards the firms which are socially responsible than towards the one which are socially irresponsible. Sen and Bhattacharya in 2001 conducted a similar study and found that consumers' reactions to CSR are highly related to the congruence between CSR activities and consumers' individual interests. It was a complex process as compared to the evaluation of the impact of CSR on firm's financial performance. Low CSR evaluation can reduce the purchase intention even though the product itself may be of good quality. Consumers know about the company and its image well before they get to know their products and services and tend to form an opinion about its quality before a product is actually introduced to them. Therefore, the researchers Sen and Bhattacharya (2001) called for attention to the congruence between consumer's interest and the focus of CSR. Not only consumers' choice and preferences have an influence but also their financial status. Individuals who are in a strong financial position are more interested in knowing about CSR background of the companies and consider it in the decision making process, than those who are in financial distress. Öberseder et al. (2011) conducted a study and called attention to two core factors of consumers' evaluation of CSR in the purchasing process. One, is the sufficiency of CSR information and the other is the credibility of the CSR information. They concluded that the consumers will consider the impact of CSR in their purchase process only when the information is available to them. Also, once the information is available to them they are likely to evaluate the credibility of the information. The more the information is available and it is credible, more likely it will be purchased by a consumer. Carrigan and Attalla (2001) used focus group interviews when studying whether consumers care about a firm's ethical behavior. They found that the firms' unethical behavior does not necessarily lead to negative impact on consumer choices. Consumers do not have much information available with them about CSR of the firms and their purchase decisions are more likely to be based on price, value, brand image and trend. They also suggested that the consumers claim that they are willing to pay a higher price for products of socially responsible firms, but are not willing to spend time on figuring out which firm is socially responsible. Also there are certain set of consumers who continue to buy products from firms with well acknowledged bad ethical conducts. Consumers do not act as what they claim. They categorized consumers into four types based on their ethical awareness and ethical purchase intention. 1. Caring and ethical consumers; who obtain sufficient CSR information and are highly ethical in their purchase activities. 2. Confused and uncertain consumers; low ethical awareness but show high ethical purchase intention. 3. Cynical and disinterested consumers; high ethical awareness but do not make purchase intention accordingly. 4. Oblivious consumers; low ethical awareness and low ethical purchase intention.



They also suggested that the CSR activities of the firm are not only important from customers' perspectives but also from the perspectives of other stakeholders like government, employees and environmental organizations. Therefore, a firm must align their activities with the focus of different interest groups. It is equally important for firms to communicate their activities to the consumers because the lack of information is a major consideration. If consumers have the information about CSR practices of different firms, then they are more likely to consider it in their purchase decisions. Similarly, Dawkins (2004) argues that consumers feel the need to get more informed about Corporate Social Responsibility and the majority state that their purchases would be influenced if they were more informed about CSR practices. Brown and Dacin (1997) showed that a negative image of CSR can damage the consumer's valuation of a product or a service while in contrast a positive CSR image can improve product evaluations. Therefore, we can say that CSR does impact the purchase intentions of the consumers provided they have the relevant and credible information with them. The literature gives us incidents where the effects, both negative and positive are likely to occur on consumer purchase behavior and also when there is no significant impact and other product/service attributes play a role. So, we can say there is an absence of a unanimous view on the impact of CSR initiatives of firms on the consumer behavior but undoubtedly, firms must realize their obligations and undertake activities which are in the benefit of the society as a whole.

Consumer Social Responsibility: A Way Forward

Gabriel and Lang (1995, p. 175) define the 'citizen consumer' as 'a responsible consumer, a socially-aware consumer, a consumer who thinks ahead and tempers his or her desires by social awareness, a consumer whose actions must be morally defensible and who must occasionally be prepared to sacrifice...'. The concept of consumer responsibility is still underdeveloped as compared to CSR which has received considerable attention. This concept of consumer social responsibility could be defined as analogous to the four dimensions of CSR. Therefore it would be "... a consumer's obligation to maximize his/her positive impact on stakeholders ... and to minimize his/her negative impact. There are four kinds of ... responsibility: legal, economic, ethical and philanthropic..." (Brinkmann 2007, p. 88). Just like it is argued that the businesses use the resources of the society and therefore, must pay back to it, consumers also have the right to live freely and choose and must respect the society and the laws and regulations therein. The concept of "citizen-consumer" implies a social practice – "voting with your money" – that can satisfy competing ideologies of consumerism (an idea rooted in individual self-interest) and citizenship (an ideal rooted in collective responsibility to a social and ecological commons). The choice of the product/service should not only satisfy their needs or wants but should also contribute in generating sustainability and social agreement for society as a whole. The consumers should be able to satisfy their personal desires while simultaneously addressing social and environmental issues.

Conclusion

Corporate Social Responsibility (CSR) is a business policy which is most sought after all the stakeholders. Consumers, employees, business partners and government all look upon the organizations which are engaged in good corporate practices. After coming in of Companies Act 2013, corporate are obliged to contribute percentage of their profit share towards CSR activities but otherwise too, companies should voluntarily work for the welfare of their stakeholders. As various studies in past have shown that CSR positively influence customer purchase intentions and the purchase decision, it will be fruitful for the company to go ahead and invest in CSR activities. This will lead to a win-win situation for both the organizations as well as customers. However it must be noted that not all CSR activities will have the same impact on the customers, therefore, managers must take caution and undertake a rigorous cost benefit analysis. If there is any negative impact on consumers about a company's image which is not so active on CSR forefronts, then it must take remedial steps to build a good corporate image. Business firms should realize their responsibilities and work more to strengthen not only their bottom line but also their relationship and rapport with its stakeholders and the society at large. Consumers should also become socially responsible and should focus not only on their individualistic needs and wants but towards sustainable consumption and environmental concerns.



Limitations and Directions for Future Research

This paper is purely descriptive and is limited to an extensive review of the existing literature, previous studies and theories on the related topic. No empirical testing has been done in the paper to know about the responses of customers and their behavioral tendencies towards the CSR initiatives of the firms. Therefore, future research can be done where the existing theories and models can be empirically tested and results can be generalized. Also, a comparative analysis should be made of the practices of the Indian and global companies and assessing their impact on Consumer Behavior and the best practices should be adopted to ensure the human and social welfare.

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