Impact of CSR Initiatives on Consumer Behaviour

Saravanakumar .S
Sakthi Aiswariya .K
Ph D Research Scholars,
GTN Arts College,
Dindigul, Tamilnadu.

ABSTRACT

Consumer should be more aware that, in pursuing their objectives. Corporations now bear more responsibility towards society and the environment. The awareness level has increased through better education and the increased influence of the media. Corporations also now believe that to a certain extent, the degree of their involvement in Corporate Social Responsibility (CSR) does have certain effect on consumer’s buying behaviour. This paper aims to examine the influence of CSR on the buying behaviour of consumers and whether they consider a corporation’s CSR initiatives before making any purchase decisions of the products and services.

Key words: CSR, Consumer behaviour, Corporate Social Performance

INTRODUCTION

A critical and notoriously exclusive issue in corporate social responsibility (CSR) research is the impact of corporate social performance (CSP) on the bottom line. Instead of looking for direct correlations between social and financial performance, we hypothesize that the first result of CSR activities is the creation of trust among the stakeholders. A survey conducted on consumers of organic products provided support for our hypothesis, showing that CSP influences consumer trust and that trust in turn influences consumer’s subsequent actions.

The traditional view of business is essentially to maximise the profits. However, the traditional views are no longer accepted in today’s business environment. Where as a result, corporations have adopted the concept of CSR, which is concerned with economic, environment, and social performance. Later the broader concept of CSR has been introduced, where the corporation’s concern is seen to be shifting to broader components of CSR, which includes stakeholders as one of the most important components while not forgetting effects on the environment or society.

Corporate social responsibility (CSR also called corporate conscience, corporate citizenship or sustainable responsible business/responsible business) is a form of corporate self regulation integrated into a business model CSR policy functions as a self regulatory mechanism whereby a business monitors and ensures its active compliance with the spirits of the law, ethical standards and international norms.

A company can improve their corporate prestige by fulfilling their corporate social responsibility. Because the CSR activities of a company can strengthen the company’s prestige, and promote consumers’ impression of the company, increase the trust between the company and the consumers, and thus influence their purchasing behaviour.

TRIBLE BOTTOM LINE (TBL) CONCEPT

The Trible bottom line (TBL) is a concept that takes into account the impact of corporations’ activities on people, the planet and profits. The human components are also known as human capital, and the planet component refers to natural capital. TBL has been recognised as a framework for measuring business performance. The performance is being measured not only on profitability but also on the efficiency of the organisation in managing its human and natural capital. The environment (planet) has been considered one of the stakeholders of corporations. Environmentally concerned consumers may not support products and services from those corporations that harm the environment.
DEFINITION

Business dictionary defines CSR as “A company’s sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship through their waste and pollution reduction processes, but contributing educational and social programs and by earning adequate returns on the employed resources”.

Carroll (1991) suggested that CSR should be divided into four levels. Economic, legal, ethical and philanthropic responsibilities. Economic responsibility refers to the profitability of the organisation, while legal responsibility is complying with laws and regulation. As for the ethical perspective, the organisations’ operation should go beyond the laws to do the right thing in fair and just ways. Philanthropic responsibility refers to voluntary giving and service to the society.

SCOPE

Today, consumers are more aware of the corporations’ responsibility through better education and through the influence of the media. The role of business in society is no longer focused on creating wealth alone but is also focused on acting responsibility towards stakeholders. Corporations that do not equip themselves with CSR activities grow stronger. As the education level increases, consumers are made more aware of the need for prosocial corporate behaviour.

Most consumers agree that while achieving business targets, companies should do CSR at the same time. However not all CSR activities are popular. Most consumers believes companies doing charity will receive a positive response. The corporate social responsibility influence not only on consumers’ purchasing decisions but also on consumers’ evaluation of new products.

Since consumer attitude, loyalty, product evaluation, word-of-mouth are main aspects that play a role in the consumer’s buying process and company’s corporate social responsibility initiatives have been proved to have effect on the same four aspects of consumer loyalty, consumer attitude, product evaluation and word-of-mouth

Initially, CSR emphasized the official behaviour of individual firms. Later, it expanded to include supplier behaviour and the uses to which products were put and how they were disposed of after lost value. 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 other.

LEVELS OF CSR ON CONSUMER BEHAVIOR

CSR should be divided into four levels by Carroll. Economic, legal, ethical and philanthropic responsibilities.

1. Economic Responsibility

Historically, the social responsibility of corporations is economic responsibility. In business institutions, economic responsibility is the basic unit in a corporation. To satisfy economic responsibility towards society, corporations should provide goods and services that society wants at reasonable prices.

In addition, corporation have an economic responsibility towards themselves, that is, making profits to be able to continue providing goods and services that society needs and wants at reasonable prices. They also need to pay their employees, increase value for their shareholders and take care of interests of other stakeholders. Economic responsibility is seen as the basic obligation of corporations.

2. Legal Responsibility

In carrying out their economic responsibility, corporations are expected work within the framework of laws and regulations as a partial fulfilment of the “social contract” between corporations and society. Important for legal responsibility to be performed in a manner that is consistent with the expectations of governments and laws complying with the various federal, state and local regulations. A successful corporation should be recognised as one that fulfils its legal obligations.
3. **Ethical Responsibility**

Although economic and legal responsibilities represent ethical standards concerning fairness and justice, ethical responsibility encompasses those activities and practices expected or prohibited by society that expand beyond the limitations of legal responsibilities. Ethical responsibility embodies those standards and expectations that reflect a concern for what consumers, employees, stakeholders and the community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights.

4. **Philanthropic Responsibility**

Philanthropic responsibility refers to corporate actions that are in response to society’s expectations of good corporate citizens. Corporate philanthropic is likely to enhance the image of corporations especially those that have high public visibility. Corporate philanthropic should also increase employee loyalty and improve customer ties. Philanthropic activities include business contributions in terms of financial resources or executive time, such as contributions to the arts, education, or communities.

**CSR INITIATIVES AND FOUR ASPECTS OF CONSUMER BEHAVIOUR**

The CSR Initiatives and Four Aspects of Consumer Behaviours are:

1. **Consumer Loyalty**

   Consumer loyalty is defined as “a deeply held commitment to re-buy or repatronize a preferred product/service consistently in the future. This indicates loyalty consumers prefer a company to other companies, and they will keep on re-purchasing from this company in the future. In this situation consumer’s loyalty can be a repeated purchasing behavior.

   Consumer’s repeated purchasing behavior could be a top target for each company. Therefore to attract consumer to do repeated purchasing behavior become one of the most important challenges for every company. If a consumer purchasing a company’s product it means that the consumer has convinced of and identify with the company’s CSR performance.

2. **Consumer Attitude**

   Attitude is defined as “a person’s favourable or unfavourable feelings towards an object”. Consumer attitudes can be influenced by a company’s ethical behaviour, and consumer attitude can influence the consumer estimate of the company and its product. A company’s ethical behaviour can be viewed as an important factor which influences consumer buying decision. When a product’s attribute is excellent, consumers appear to be more willing to choices an ethically behaving company than chose an unethically behaving company.

3. **Product Evaluation**

   Product evaluation has been defined as “consumers’ judgment and choices among alternatives based on marketer provided cues and on other sources of information about product characteristics” Positive CSR associations make consumers take a positive evaluation to the company, and the positive CSR associations also have taken a positive effect on consumers response to the company’s product and service; in contrast, a negative associations cause negative influence on consumers’ evaluation to the company and its product. This implies that the positive CSR can enhance the company’s product evaluation, but negative CSR will harm the company’s product evaluation.

   If a company provides consumers positive CSR information to consumers, as a response the consumers will react positively to the company mentioned that CSR initiatives have significant influence on consumers’ product evaluation, if a consumer highly supports a company’s CSR activities, he or she usually believe that this company which actively commit to CSR practices will be able to produce decent products.

4. **Word-of-Mouth (WOM)**

   Word-of-mouth has been defined as “informal communications between private parties concerning evaluations of goods and services” and WOM has two perspectives which are negative and positive. Both two perspectives reflect a response to a company’s performance from consumer’s view.
For example: if the company’s performance meets or exceed consumer expects, then consumer could share their positive purchasing experience to others; while if the company’s performance does not good enough to meet consumer’s expects, they also would like to communicate their negative purchasing experience to someone else. Hence, WOM plays a vital role in consumer buying behaviour.

**CONCLUSION**

Corporates now bear more responsibility towards society and the environment. Awareness level of consumers has increased through better education and the increased influence of the media. Corporations also now believe that to a certain extent, the degree of their involvement in Corporate Social Responsibility (CSR) does have certain effect on consumer’s buying behaviour. Further, CSR initiatives are influence on the buying behaviour of consumers and whether they consider a corporation’s CSR initiatives before making any purchase decisions of the products and services.

**REFERENCES**