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PRELIMINARY COMMUNICATION

Corporate Social Responsibility through the eyes of consumers

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ABSTRACT

Corporate Social Responsibility (CSR) is relevant to mainstream thought on economic organisations and their places in society. The aim of this paper is to collect some of the most relevant research findings on CSR, introduce the informedness of Hungarian respondents on CSR in general, the main influencing factors of their purchasing decisions, and to find correlations between the received results and the demographic variables based on our primary research. Our results support the present practice in terms of the definition of CSR. Almost all the listed alternatives are strongly associated with CSR by the respondents. The highest average received for the "creating work places, employment" alternative indicates the importance of this activity. Regarding the different factors influencing purchasing decision, our results underline the importance of price and price value ratio.

Key words: CSR, conscious consumerism, CSR actions, consumer actions

INTRODUCTION

As a reflection of values and ethics of firms, corporate social responsibility (CSR) has received a large amount of research attention over the last decade (Pomering and Dolnicar, 2008), but what is meant by CSR?

It is not a good sign when an entire profession cannot agree on what to call itself. Here is a short list: corporate responsibility (CR), sustainability, corporate social responsibility (CSR), sustainable development, corporate accountability, creating shared value (CSV), citizenship and social responsibility in and of itself. These are all terms that are thrown about with nothing but the glue of disagreement about their ultimate meanings to hold them together. CSR is much broader than philanthropy. Rather, CSR looks to change business operations in a way that maximizes a company's benefits to society and minimizes the risks and costs to society, all while keeping

the company focused on creating business and brand value (Epstein-Reeves, 2011).

Due to the wide range of CSR definitions in existence, a search for commonality can be potentially instructive. After examining various definitions, Buchholtz (1991) in Schwartz and Saiia (2012) suggests that there are five key elements found in most definitions of CSR:

- Corporations have responsibilities that go beyond the production of goods and services at a profit.
- These responsibilities involve helping to solve important social problems, especially those they have helped create.
- Corporations have a broader constituency than stockholders alone.
- Corporations have impacts that go beyond simple marketplace transactions.
- Corporations serve a wider range of human values that can be captured by a sole focus on economic values.

The concept and definition of CSR are not only topics of debates. Academics and corporate executives have been continuously debating the costs and benefits of CSR. It is the fundamental question: is it worth investing in CSR; is it worth being socially responsible; what is the responsibility of companies at all?

CSR actions of the firms influence attitudes of consumers. It is them that shape customers' intentions, and their intentions affect their behaviour. So, the firms' CSR actions may inspire consumers to change their purchasing behaviour (i.e. buy a different product), pay a premium for responsible products, or even deliberately punish those firms that fail to meet their expectations (I1). Figure 1 shows a model of socially conscious consumerism.

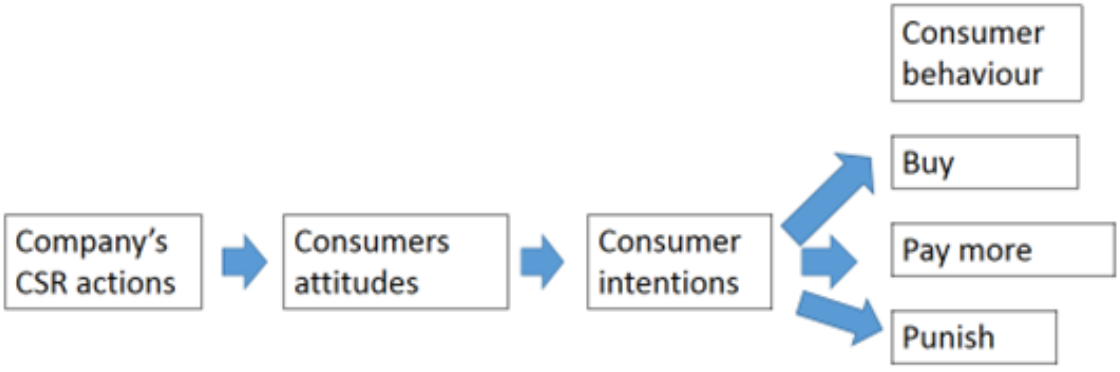


Figure 1. A model of socially conscious consumerism
Source: I1

Kim (2011) mentions that although academic research has addressed the growing focus on CSR, previous research has suggested mixed results, especially regarding the general consequences of CSR on either financial performance of an organisation or consumer responses. Some research studies found no associations between CSR and consumer responses, but other studies noted several positive relationships. The common thread among academic research is that still little is known as to how and when CSR initiatives work. The research of Kim (2011) attempts to answer these related questions, such as "if there are, indeed, direct influences of CSR initiatives on publics 'evaluations of an organisation and its products" and "if consume favourable reactions toward CSR initiatives are industry specific" by examining two companies.

The study found that when a company was well-known to consumers, a CSR strategy was more effective in influencing both consumer corporate ability and CSR associations and, in turn, company/product evaluations. Additionally, consumers tend to automatically assume that a company is good at making reliable products when they associate it with the strong CSR. The study results also suggest that the direct influences of CSR associations differ based on industry type (Kim, 2011).

Doane (2005) writes about the market failure of CSR. One problem here is that CSR as a concept simplifies some rather complex arguments and fails to acknowledge that ultimately, trade-offs must be made between the financial health of the company and ethical outcomes. Moreover, when they are made, profit undoubtedly wins over principles. CSR strategies work under certain conditions, but they are highly vulnerable to market failures, including such factors as imperfect information, externalities and free riders. Most importantly, there is often a wide chasm between what is good for a company and what is good for society as a whole. In her paper, Doane defines the four myths of CSR. Of the four myths, the one in connection with ethical consumerism is introduced below in more detail:

- the market can deliver both short-term financial returns and long-term social benefits.
- the ethical consumer will drive the change: Although there is a small market proactively rewarding ethical business, for most consumers, ethics are relative. In fact, most surveys show that consumers are more concerned about price, taste or sell-by dates than ethics. In the United Kingdom, ethical consumerism data show that although most consumers are concerned about environmental or social issues, with 83 percent of consumers intending to act ethically on a regular basis, only 18 percent of people act ethically occasionally, while fewer than 5 percent of consumers show consistent ethical and green purchasing behaviours.
- there will be a competitive "race to the top" over ethics among businesses.
- in the global economy, countries will compete to have the best ethical practices.

Győri (2013) adds that not only in Hungary, but also in more developed countries, consumers are more concerned about environmentally conscious, healthy products or products produced in a socially responsible way than can be experienced in their real purchasing behaviours. Even in the case of cheaper "responsible" products, they prefer the other, "common" product.

Öberseder et al. (2011) emphasize that there is an unresolved paradox concerning the role of corporate social responsibility (CSR) in consumer behaviour. On the one hand, consumers demand increasingly more CSR information from corporations. On the other hand, their research indicates a considerable gap between consumers' apparent interest in CSR and the limited role of CSR in purchase behaviour. Consumers report positive attitudes toward buying products from socially responsible companies, but these positive attitudes are not transferred into actual purchase behaviour. A total of 22 individual interviews were conducted by them in a Western European country in fall 2009 and spring 2010. Overall, the interviewees agreed on the minor importance of CSR compared to other purchase criteria, such as price, quality, brand, country of origin or service. They pointed out that the result was in accordance with the prior research, which shows that CSR was not "at the top of many consumers' lists" and that only a very small segment of consumers considered CSR when purchasing products (they are citing here Beckmann et al. 2001; Belk et al. 2005; Bray et al. 2011; Lichtenstein et al. 2004; Mohr et al. 2001).

Results from the qualitative study of Pomering and Dolnicar (2008) with bank managers and their quantitative study with consumers also indicate low consumer CSR awareness levels. While CSR is effective in eliciting favourable consumer attitudes and behaviour in theory, CSR has not proven its general effectiveness in the marketplace. The low consumer awareness of the various social issues, in which firms dedicated to their CSR programmes suggests that firms may need to educate consumers, so the latter may better contextualise the CSR initiatives seeking to be communicated.

Wang (2008) in Wang and Anderson (2011) also found that CSR practices and purchase intention were not directly related. Several possible variables contribute to the reasons why CSR practices do not necessarily relate to financial reward. On the one hand, the impact of CSR on consumers may be dependent on individual consumers' perceived importance of CSR. For example, consumers may consider CSR communications as favourable public relations messages when they perceive CSR as an important element of business practices. On the other hand, most consumers depend on CSR communications for gathering information about corporations' CSR practices; corporations have been increasingly involved in various CSR practices and communications in an attempt to improve their reputations and to promote their brands or products. As a result, CSR communications play an important role in shaping consumers' attitudes toward CSR communications and assessments of corporations' CSR practices (Osterhus, 1997; Park et al. 2004; Bowen, 200; David et al. 2005 in Wang and Anderson, 2011).

MATERIAL AND METHODS

A survey was conducted 1-30 March 2014, in which 1,000 consumers in Hungary were involved. Representativeness of regions and settlement types had already been ensured, thus their structure fully met the quota stipulated by the Central Statistical Office (quota sampling).

In some regions and selected settlements, the principle of random walking was applied, which ensures the complete randomness to select the appropriate respondents (each person had the same chance to be involved in the sample). The essence of the method is that starting addresses were provided for each interviewer at each

selected region and settlement (regions and settlements matching the population ratios in the sample). Starting from the starting address – in the order of increasing house numbers – interviewers started the interviews at the third house of the same side of the street, then they continued the interview with the third house again. When preparing the sampling plan, we also took into consideration family house and apartment house areas, as well.

Of the residents of the visited households, the appropriate person for the interview was selected using the birthday key method. This means that the interviewer asked the number of residents above 18 years of age. The second step was that a consumer above 18 years of age and having the birthday closest to the date of the interview was selected. In this way, complete randomness was ensured in the second step, as well. Random error of the sample was ± 1.9% -3.2%.

Finally, in order to ensure representativeness, the sample was corrected with multidimensional weighting (based on gender and age). Thus, the sample represents the population of Hungary regarding four factors (region, settlement type, gender, age).

As for statistical methods, Kruskall-Wallis test and Likert scale have been implemented.

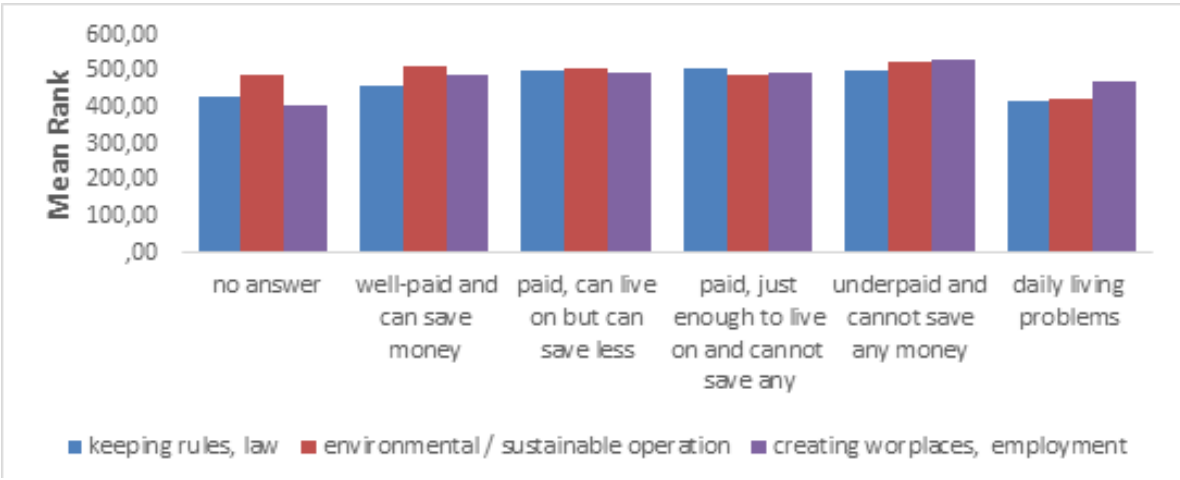
RESULTS AND DISCUSSION

First of all, we wanted to find out **what our respondents mean by Corporate Social Responsibility**. We offered them the following alternatives: (1) keeping rules, law; (2) environmental / sustainable operation; (3) creating work places, employment; (4) supporting arts, culture, sports; (5) creating, supporting foundations; (6) ensuring healthy, balanced work environment; (7) ethical behaviour toward all business partners; (8) fair communication, behaviour towards consumers; (9) good marketing trick; (10) responsibility towards its (social and natural) environment. For each answer, they had to determine its relation to CSR in Likert scale from 1-5, in which 5 shows the strongest and 1 the weakest relation.

The average and standard deviation of the results have also been studied. We can state that the relation between CSR and the above provided alternatives is strong; it is above 4.00 with the exception of "just a marketing trick" which average was 3.88. The highest averages were obtainesfor the following alternatives: creating workplaces, employment (4.662); keeping rules, law (4.635); environmental / sustainable operation (4.624); responsibility towards its (social and natural) environment (4.57). Besides, the lowest standard deviations is characteristic for these high averages, opinions do not differ significantly when it comes to these answers.

Next, the results were grouped and evaluated by the level of education, legal status and financial situation. We found significant deviations in these three groups:

Regarding the **financial situation** of respondents, for well-paid respondents, job creation and employment are part of CSR. For people with daily living problems, keeping rules and following the law are not parts of CSR. These results can be seen in Graph 1.



Graph 1. Relation of the provided alternatives to CSR by financial situation of respondents

By **level of education**, respondents with high school certificates also believe that keeping rules and following the law are not parts of CSR. This is the second responsibility of companies after economic responsibility: to meet rules and legal regulations (called legal responsibility). Thus, keeping rules and following laws can automatically be expected from companies. For these respondents, CSR is something more and goes beyond all these. Ensuring a healthy, balanced work environment is a part of CSR for each studied group. Supporting arts, culture and sports is a part of CSR for each studied group, except for respondents with a higher education degree. The reason behind this result can be connected to their better informedness, since the recent definition of CSR and the activities behind this phenomenon is rather about the creation of shared value, i.e. creating something new together with several stakeholders in the company which is mutually valuable. Sponsorship is undoubtedly important, even essential for some groups, but this activity is something different. It is not about creating shared value.

Regarding the **legal status** of respondents, keeping rules and following the law is not a part of CSR for groups of respondents having no job. For students, CSR is only a good marketing trick. Since these respondents represent the future, they are the next generation of corporate executives and the consumers a company does not yet have; therefore, this approach should be corrected through proper courses on e.g. business ethics, managerial ethics, CSR and sustainability. These individuals should be familiar with the essence of CSR. CSR should not be only a marketing tool (even though, for some companies, it is), it should be something totally different: it should rather be a managerial approach. For active worker respondents and respondents on maternity leave, arts, culture and sports are not parts of CSR. For student and housewife respondents, fair communication and behaviour towards consumers are parts of CSR.

We also wanted to use **the above listed information to understand how to influence the purchasing decision of our respondents**: (1) product price; (2) producer; (3) place of production; (4) ingredients; (5) environmental impact of the product (6) product safety; (7)

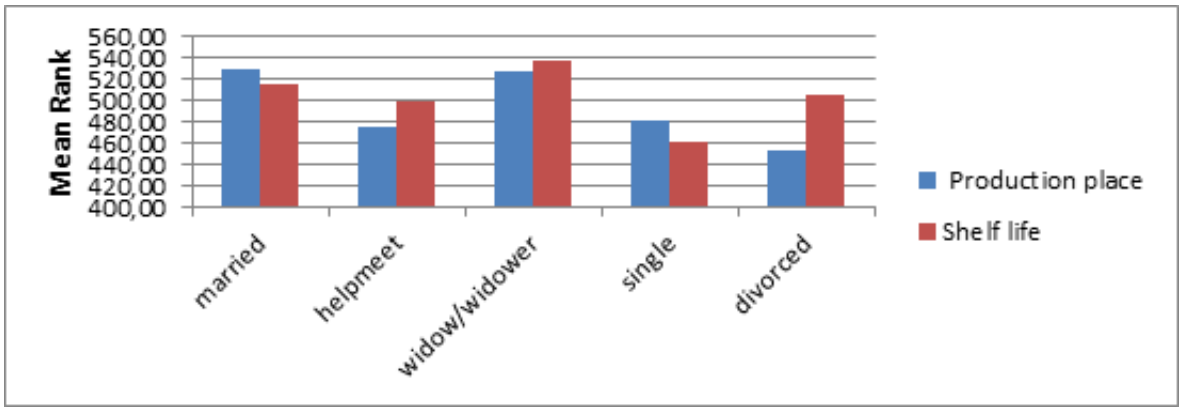
healthy product; (8) product appearance; (9) price-value ratio; (10) shelf life. Respondents had to evaluate the importance of the listed points of views regarding their purchasing decision in Likert scale of 1-5.

With the results being analyzed, it can be seen that the received averages are around 4.3 and their standard deviation is around 0.8. Value 1 means that the information does not influence, while 5 means that the information influences considerably the purchasing decision. The highest averages were obtained for product price, price-value ratio and shelf life. The received average for product price and price-value ratio reached 4.72 with very low standard deviations (0,63) The result shows that the respondents are rather price sensitive. The high average received for shelf life (4,65) indicates that this is an important information when buying mainly a food product. The received lower averages for product safety (4,57), ingredients (4,44) and healthy product (4,57) can be explained in the way that these types of information cannot be found, read and understood easily or that price sensitivity is simply the dominant factor for such consumers. It should be pointed out that the environmental impact of the product (3,60) and the producer (3,83) are the least important types of information for the respondents from among the above mentioned information influencing their purchasing decision.

In addition to the above explained results, we also tried to find correlations between the demographic variables and the received results. By **level of education**, we found significant deviation in the cases of price, producer, place of production, ingredients and product appearance, as well. With the higher level of education, the producer becomes increasingly important. The same conclusion can be drawn for the place of production. These results can be explained with the higher levels of study and the informedness of respondents on the social, environmental and moral impacts of companies, as well as because these respondents expect responsibility from companies for all these areas of impact. This responsibility is seemingly obvious for the educated respondents. Information on the responsible - or even on the irresponsible - business practices of companies is very important for them and influences their purchasing decisions. Regarding the place of production, it can be expected that they are more familiar with the financial impact of their purchasing decisions. This means that when buying local products, they can contribute to the economic development of their homeland. For them – in comparison to the other studied groups – price and product image are the least important. This consumer behavioural factor can be reasoned with the fact that to their high education level is probably associated with higher incomes, thus they can be expected to be living in a good financial situation and they can afford to rank product price lower as a not so important factor influencing their purchasing decisions. With regard to ingredients, those respondents with the lowest education level have to be pointed out, since for them this information was the least important. Among the five listed factors, the price was extremely high ranked. This result can be explained by their probably modest financial circumstances.

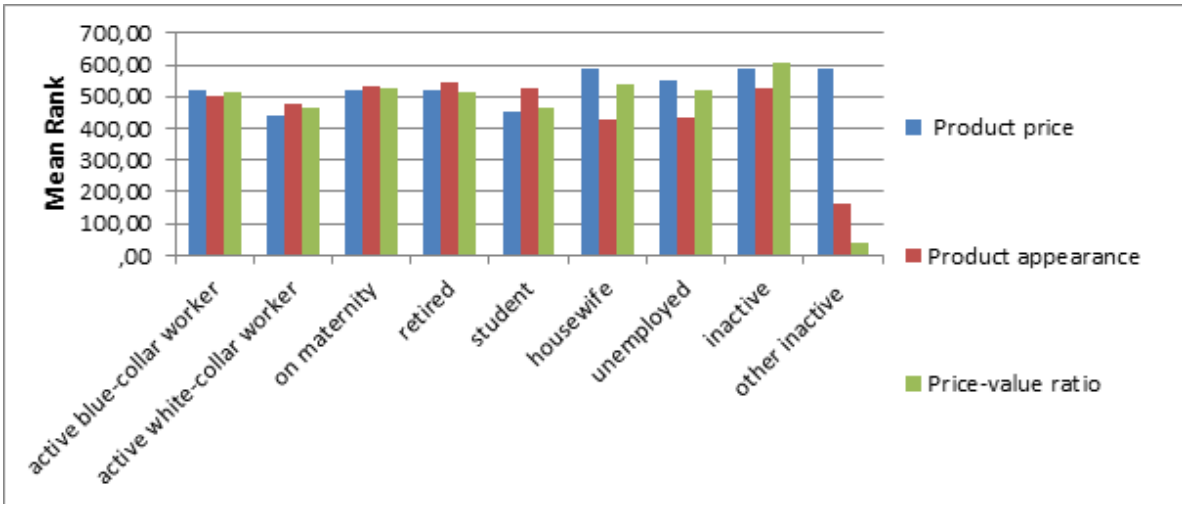
Less conclusions can be drawn from **marital status**. From the above listed and studied ten aspects, significant deviations were found in relation to the place of production and shelf life only. As Graph 2 shows, for single (mainly young) respondents, shelf life is not important when buying a product. For the other studies' groups, the ranking of this aspect is considerably higher. The place of production

is an important aspect for married and widow respondents. They presumably belong to the older generation. For this group, the importance of shelf life is similarly important in bringing their purchasing decision. In the case of married respondents, the result can be explained through their sense of responsibility towards the family.



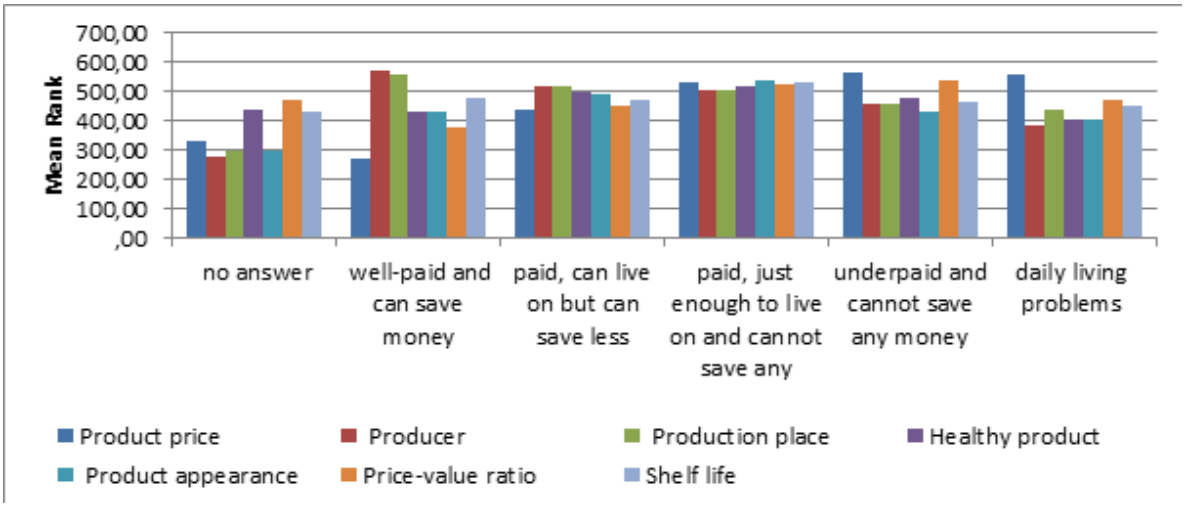
Graph 2. Significant deviations between the marital status of respondents and certain aspects influencing the buying decision process of consumers

Regarding the **legal status** of respondents, significant deviations have been found in connection with product price, product appearance and price-value ratio. Graph 3 shows that the product price is not so important for our active white collar worker and student respondents. In the case of the former group, the probably higher income associated to their position could be the reason for this result. In the case of students, the result is probably based on the lack of personal income, since these respondents mostly live together with their parents and spend their parents' money, rather than their own. Since they are young, they may not be well informed on the business practices of companies, on the question of responsibility and, in general, on the possible impacts of their purchase decisions. Therefore, their buying preferences are rather different. However, we should keep in mind that they are one of the most important groups, since they are the consumers of the near future. Through proper education, they could and should be shown in the group of conscious consumers. For inactive, other dependent and housewife respondent groups, the price is a very important factor, which can be reasoned unambiguously with their modest financial situation. Product appearance is remarkably negligible for the other dependent respondents. The price is the most important factor for them in the studied factors, and the price-value ratio is even less important than product appearance. These results can unambiguously reasoned with the lack of income.



Graph 3. Significant deviations between the legal status of respondents and certain aspects influencing the buying decision process of consumers

The final correlation is related to the **financial situation of the families**. Results can be seen in Graph 4, which clearly shows that, with the deteriorating of a respondent's financial situation, the importance of price is increasing. The place of production and the producer grow less important, in the same order. Healthy product, product appearance, price-value ratio, shelf life are interestingly the most important for the group in the middle. The reason for such results is probably that they are trying to find the best solution, best value and best product, compared to their limited financial situations. They "do not have money" to buy useless, unhealthy or expired products, such as food.



Graph 4. Significant deviations between the financial situation of respondents and certain aspects influencing the buying decision process of consumers

CONCLUSIONS

Our results support the present practice in terms of the definition of CSR. Almost all the listed alternatives are strongly related to CSR by the respondents. The highest average received for the "creating work places, employment" alternative indicates the importance of this activity and this can also be explained in that - at least in Hungary - CSR today is mainly linked to responsible employment. When reading articles on CSR and the main activities carried out by companies as CSR activities, it can be read that around two third - three quarter of the companies' CSR budgets are usually spent on activities targeting employees. It is good to see that CSR is not considered to be a mere marketing trick by most of the respondents, but only by students. This opinion can be 'modified' with proper education on CSR. Regarding the different factors influencing purchasing decision, our results underline the importance of price and price value ratio. The producer and its responsible or irresponsible business practice are not important information for the respondents.

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Korporativna društvena odgovornost kroz prizmu potrošača

SAŽETAK

Korporativna društvena odgovornost usko je povezana s konvencionalnom idejom o ekonomskim organizacijama i njihovim položajima u društvu. Cilj ovoga rada je prikupljanje najrelevantnijih rezultata istraživanja o korporativnoj društvenoj odgovornosti, predstavljanje informiranosti mađarskih ispitanika o korporativnoj društvenoj odgovornosti općenito te utvrđivanje korelacija između dobivenih rezultata i demografskih varijabli utemeljenih na našem primarnom istraživanju. Dobiveni rezultati podupiru trenutnu praksu u smislu definicije korporativne društvene odgovornosti. Gotovo sve ponuđene alternative ispitanici su povezali s korporativnom društvenom odgovornošću. Najviši prosjek postigla je alternativa "stvaranje radnih mjesta, zapošljavanje", što ukazuje na njezino značenje. Uzimajući u obzir različite čimbenike koji utječu na odluke u vezi kupovine, dobiveni rezultati posebno ističu značenje cijene i udio vrijednosti u cijeni.

Ključne riječi: korporativna društvena odgovornost, svjesni konzumerizam, aktivnosti u sklopu korporativne društvene odgovornosti, aktivnosti potrošača